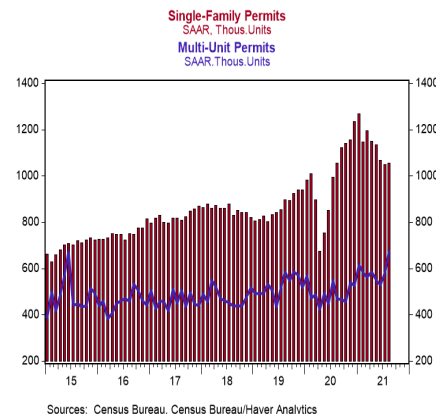
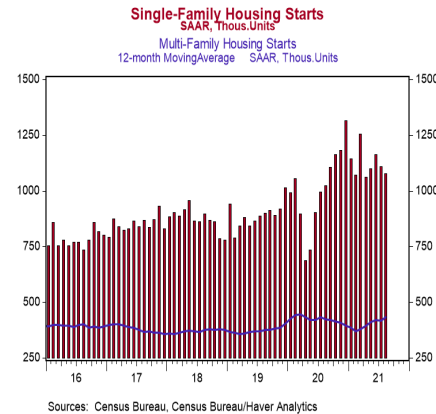


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# August Housing Starts

- Housing starts increased 3.9% in August to a 1.615 million annual rate, beating the consensus expected 1.550 million. Starts are up 17.4% versus a year ago.
- The gain in August was entirely due to multi-family starts. Single-family starts declined 2.8% in August. In the past year, single-family starts are up 5.2% while multi-unit starts are up 52.7%.
- Starts in August rose in the Northeast, Midwest, and South, but fell in the West.
- New building permits increased 6.0% in August to a 1.728 million annual rate, beating the consensus expected 1.600 million. Compared to a year ago, permits for single-family units are down 0.1% while permits for multi-family homes are up 44.3%.



**Implications:** Housing starts surprised to the upside in August, but the details in the report were not quite as strong. All of the gain in August was due to the volatile multi-family sector, where new construction rose 20.6%. Meanwhile, construction of single-family homes fell 2.8%, the second decline in a row. While it's too early to know for sure, there are signs developers may be shifting resources away from single-family home construction and toward larger apartment buildings in response to rapidly rising rents as some people move back into big cities and the eviction moratorium ends. Zillow estimates that rental costs are up 7.4% in the past year and Apartmentlist.com estimates they have risen an even faster 12.0%, easily exceeding typical gains in the 3-4% range. Notably, starts in the Northeast, which is home to many large cities, rose 167.2% in August, the largest monthly gain on record since 1959, primarily driven by the multi-family sector. Home building has been volatile so far in 2021 due to widespread supply-chain issues and shortages of labor, but looking at the 12-month moving average, which helps sift through that volatility, shows residential construction now stands at the fastest pace since 2007. While the monthly pace of activity will ebb and flow as the recovery continues, we expect housing starts to remain in an upward trend. A big reason for our confidence is that builders have a huge number of permitted projects sitting in the pipeline waiting to be started. In fact, the backlog of projects that have been authorized but not yet started is currently the highest since the series began back in 1999. Despite this, builders increased permits for new construction for the second month in a row, signaling an expectation that demand will remain strong in the future. Moreover, all the gain in permits came from the multi-family sector, as well, which rose 15.8% in August and now sits at the highest levels since 1990. Keep in mind, the US needs roughly 1.5 million housing starts per year based on population growth and scrappage (voluntary knockdowns, natural disasters, etc.). However, we haven't built that many new homes in any calendar year since 2006. With plenty of future building activity in the pipeline and builders looking to boost the inventory of homes and meet consumer demand, as more Millennials finally enter the housing market, it looks likely construction in 2021 will cross the 1.5 million unit benchmark this year and then move higher in 2022. This positive outlook is reinforced by yesterday's NAHB index, a gauge of homebuilder sentiment, which rose to 76 in August from 75 in July. This marks the first gain in five months, with the increase largely driven by lower costs for inputs.

Housing Starts SAAR, thousands	Monthly % Ch.	Aug-21 Level	Jul-21 Level	Jun-21 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
<b>Housing Starts</b>	<b>3.9%</b>	1615	1554	1657	1609	1610	17.4%
<b>Northeast</b>	<b>167.2%</b>	179	67	147	131	143	105.7%
<b>Midwest</b>	<b>11.4%</b>	206	185	198	196	220	-14.5%
<b>South</b>	<b>1.4%</b>	912	899	871	894	861	29.2%
<b>West</b>	<b>-21.1%</b>	318	403	441	387	387	-7.0%
<b>Single-Unit Starts</b>	<b>-2.8%</b>	1076	1107	1161	1115	1126	5.2%
<b>Multi-Unit Starts</b>	<b>20.6%</b>	539	447	496	494	484	52.7%
<b>Building Permits</b>	<b>6.0%</b>	1728	1630	1594	1651	1687	13.5%
<b>Single-Unit Permits</b>	<b>0.6%</b>	1054	1048	1066	1056	1107	-0.1%

Source: U.S. Census Bureau