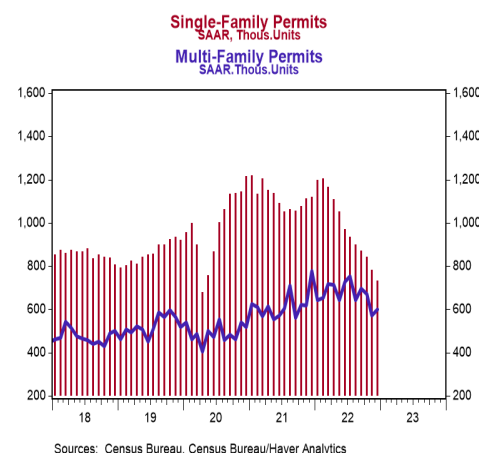
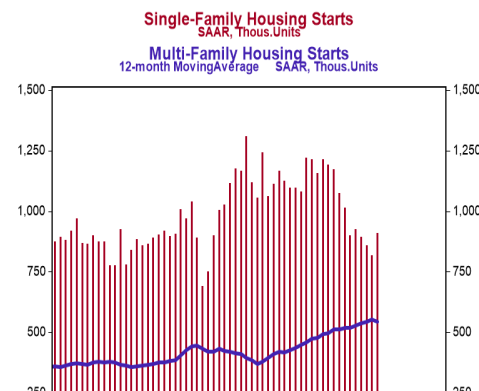


Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Elass – Senior Economist
Bryce Gill – Economist

December Housing Starts

- Housing starts declined 1.4% in December to a 1.382 million annual rate, beating the consensus expected 1.358 million. Starts are down 21.8% versus a year ago.
- The decline in December was entirely due to multi-unit starts. Single-family starts rose in December. In the past year, single-family starts are down 25.0% while multi-unit starts are down 14.9%.
- Starts in December fell in the Midwest, West and South, but rose in the Northeast.
- New building permits declined 1.6% in December to a 1.330 million annual rate, lagging the consensus expected 1.365 million. Compared to a year ago, permits for single-family homes are down 34.7% while permits for multi-unit homes are down 22.9%.

Implications: Housing starts continued to slow in December, falling for a fourth consecutive month to close out 2022, which was a historically tough year for builders due to surging mortgage rates. However, some of the details beneath the surface were better than the headline. Multi-unit construction accounted for all the weakness in December, while single-family starts rose for the first time in four months and posted the largest monthly percentage gain in more than a year. It looks like the recent 100 basis point decline in 30-year fixed mortgage rates is improving the future sales outlook from developers. In fact, yesterday’s reading on homebuilder sentiment, as measured by the NAHB Housing Index, rose to 35 in January from 31 in December. Notably, this is the first increase in thirteen months and ends the longest streak of declines since records began in 1985. That said, an index reading below 50 still signals that more builders view conditions as poor vs. good. However, these data reinforce our view that the recent decline in mortgage rates has helped boost sentiment among developers. Though groundbreaking on new residential projects is now down 23.4% from the peak earlier this year, keep in mind that construction overall has hardly ground to a halt. Lots of projects were already in the pipeline, with the number of homes under construction at the highest level on record back to 1970. These figures also demonstrate a slower construction process due to a lack of workers and other supply-chain difficulties. Given that builders already have their hands full, it wasn’t surprising to see permits for new projects fall 1.6% in December. Housing isn’t going to be a source of economic growth in the year ahead, but do not expect a housing bust nearly as harsh as in the 2000s. In labor market news this morning, initial unemployment claims fell 15,000 last week to 190,000, while continuing claims rose by 17,000 to 1.647 million. Finally, the Philadelphia Fed Index, which measures manufacturing sentiment in that region, rose to a still weak reading of -8.9 in January from -13.7 in December. As we wrote in yesterday’s [report](#) on industrial production, we believe a recession is on the horizon in 2023 with the goods sector leading the way.



Housing Starts SAAR, thousands	Monthly % Ch.	Dec-22 Level	Nov-22 Level	Oct-22 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-1.4%	1382	1401	1426	1403	1427	-21.8%
Northeast	135.6%	212	90	94	132	148	50.4%
Midwest	-37.4%	129	206	231	189	187	-61.5%
South	-4.0%	717	747	785	750	749	-20.4%
West	-9.5%	324	358	316	333	343	-17.1%
Single-Unit Starts	11.3%	909	817	859	862	884	-25.0%
Multi-Unit Starts	-19.0%	473	584	567	541	543	-14.9%
Building Permits	-1.6%	1330	1351	1512	1398	1497	-29.9%
Single-Unit Permits	-6.5%	730	781	841	784	842	-34.7%

Source: U.S. Census Bureau