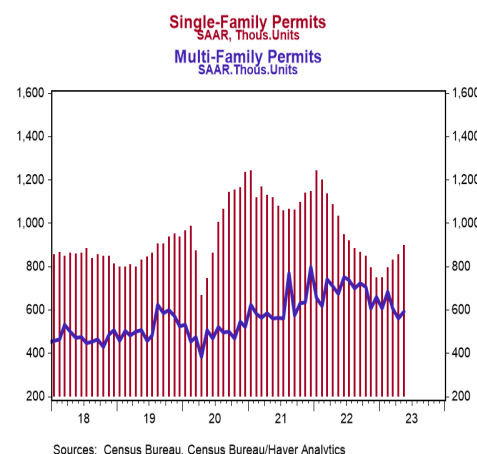
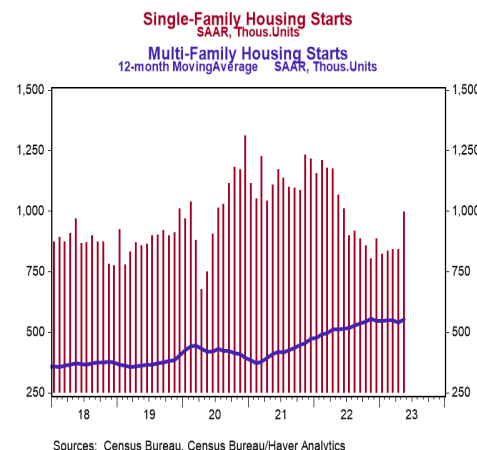


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May Housing Starts

- Housing starts increased 21.7% in May to a 1.631 million annual rate, easily beating the consensus expected 1.400 million. Starts are up 5.7% versus a year ago.
- The gain in May was due to both single-family and multi-unit starts. In the past year, single-family starts are down 6.6% while multi-unit starts are up 33.2%.
- Starts in May rose in the Midwest, South and West, but fell in the Northeast.
- New building permits rose 5.2% in May to a 1.491 million annual rate, beating the consensus expected 1.425 million. Compared to a year ago, permits for single-family homes are down 13.2% while permits for multi-unit homes are down 12.0%.

Implications: Housing starts surged well above expectations in May, crushing the forecast from every economics group and putting in the largest monthly gain in the number of homes started since January 1990. Looking at the details, gains were broad-based with three of four major regions and both single-family and multi-unit starts contributing. While one month doesn't make a trend, housing starts are now at the highest level since the previous peak in April of 2022, before mortgage rates began to surge. This signals that the developers may have finally found their footing in what has been a challenging environment for sales. While 30-year mortgage rates continue to hover near 7% it looks like some of the sticker shock from the rapid run-up in financing costs last year is wearing off. Those high mortgage rates also make it tough to get sales from existing homeowners who still have fixed mortgages locked in from 2021 and earlier, often at less than 3.0%. Hence the shift toward satisfying purchasers by building new homes. This is good news for overall starts because single-family construction has been largely responsible for the decline in activity throughout the past year. On top of today's large headline gain, it's important to remember that lots of projects were already in the pipeline. At present, the number of homes under construction is hovering near 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 issues. Given that builders already have their hands full, it was not surprising to see permits for new projects rise a less impressive 5.2% in May. While we don't think housing is going to be a source of economic growth in the year ahead, recent numbers are certainly not what you'd expect to see if there was a severe housing bust like the 2000s on the way, either. In other recent housing news, the NAHB Housing Index, a measure of homebuilder sentiment, rose to 55 in June from 50 in May. This is the sixth consecutive gain and the first time the index has exceeded 50 since July of 2022. An index reading of 50 signals that an equal number of builders view conditions as poor versus good. Sentiment is now positive following nearly a year of pessimism.



Housing Starts SAAR, thousands	Monthly % Ch.	May-23 Level	Apr-23 Level	Mar-23 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	21.7%	1631	1340	1380	1450	1414	5.7%
Northeast	-18.7%	100	123	185	136	141	-21.9%
Midwest	66.9%	282	169	133	195	171	24.2%
South	20.3%	908	755	827	830	797	6.7%
West	16.4%	341	293	235	290	305	1.2%
Single-Unit Starts	18.5%	997	841	843	894	871	-6.6%
Multi-Unit Starts	27.1%	634	499	537	557	543	33.2%
Building Permits	5.2%	1491	1417	1437	1448	1432	-12.7%
Single-Unit Permits	4.8%	897	856	829	861	812	-13.2%

Source: U.S. Census Bureau