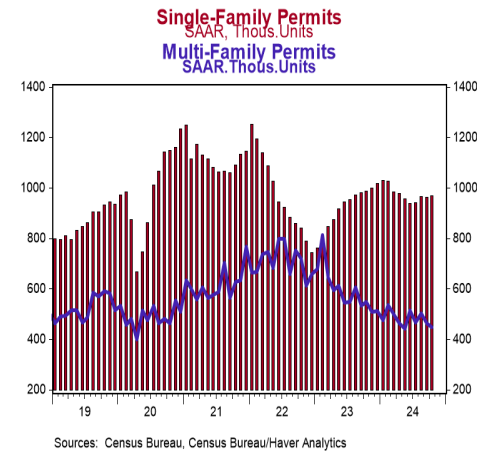
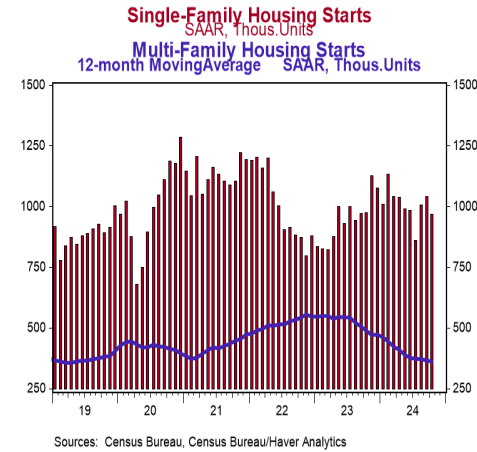


October Housing Starts

Nate Gerze, CFA – Economic Analyst
 Brian S. Wesbury – Chief Economist
 Robert Stein, CFA – Dep. Chief Economist

- Housing starts declined 3.1% in October to a 1.311 million annual rate, lagging the consensus expected 1.334 million. Starts are down 4.0% versus a year ago.
- The decline in October was entirely due to single-family starts. Multi-family starts rose in October. In the past year, single-family starts are down 0.5% and multi-unit starts are down 12.6%.
- Starts in October fell in the South and Northeast but rose in the West and Midwest.
- New building permits declined 0.6% in October to a 1.416 million annual rate, lagging the consensus expected 1.435 million. Compared to a year ago, permits for single-family homes are down 1.8% and permits for multi-unit homes are down 18.2%.

Implications: Homebuilding was weak in October, but not quite as bad as it looked. Overall housing starts missed consensus expectations and declined 3.1%, entirely due to a 6.9% drop in the single-family category. Looking at the details, construction in the South (the region with the largest share of homebuilding in the country) led the way downward with an 8.8% decline, as homebuilders in that region delayed activity in wake of hurricanes that swept through the area. Still, housing starts appear to be stuck in low-gear, down 4.0% from a year ago, and sit at roughly the same levels as 2019. The same cannot be said for completions. Despite a 4.4% drop for the month, completions were at a faster pace than any month in 2021-2023 and are up 16.8% in the past year. With strong completion activity and tepid growth in starts, the total number of homes under construction continues to fall, now down 12.7% since the start of 2024. That type of decline is usually associated with a housing bust or recession. The lack of new construction is why home prices have remained elevated while rents are still heading up in much of the country: we are building too few homes while lax enforcement of immigration laws mean rapid population growth. The home building sector seems strangely slow given our population growth and the ongoing need to scrap older homes due to disasters or for knockdowns. We think government rules and regulations are likely the major hurdle for builders in much of the country, but home construction might also be facing headwinds from a low unemployment rate (which makes it hard to find workers) as well as relatively high mortgage rates. Notably, while mortgage rates were trending lower leading up to the first rate cut announcement from the Federal Reserve in September, these rates are up more than 50bps since then. That said, there are some tailwinds for housing construction, as well. Many owners of existing homes are hesitant to sell and give up their fixed sub-3% mortgage rates, so prospective buyers will often need new builds. In addition, Millennials are now the largest living generation in the US and have begun to enter the housing market in force, which represents a demographic tailwind for activity. Putting it together, we don't see housing as a major driver of economic growth in the near term, but we're not expecting a 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 46 in November from 43 in October. However, a reading below 50 signals a greater number of builders view conditions as poor versus good.



Housing Starts SAAR, thousands	Monthly % Ch.	Oct-24 Level	Sep-24 Level	Aug-24 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-3.1%	1311	1353	1379	1348	1325	-4.0%
Northeast	-32.9%	110	164	120	131	131	39.2%
Midwest	9.4%	197	180	206	194	181	-7.1%
South	-8.8%	666	730	763	720	713	-7.8%
West	21.1%	338	279	290	302	300	-4.0%
Single-Unit Starts	-6.9%	970	1042	1006	1006	976	-0.5%
Multi-Unit Starts	9.6%	341	311	373	342	349	-12.6%
Building Permits	-0.6%	1416	1425	1470	1437	1428	-7.7%
Single-Unit Permits	0.5%	968	963	967	966	956	-1.8%

Source: U.S. Census Bureau