

# U.S. Data Review

- Housing starts in May: gains in both multi-family and single-family...
- ...but narrowly based geographically, and permits lag

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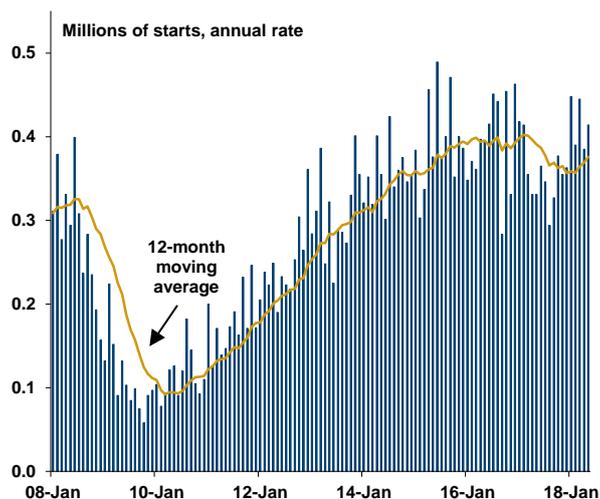
## Housing Starts

Housing starts rose 5.0 percent in May, easily beating the expected gain of 1.9 percent. The increase occurred from a downward revised level in April, but the adjustment was small and the level of starts (1.350 million units, annual rate) was above the consensus estimate of 1.311 million units. Multi-family starts contributed to the overall advance with an increase of 7.5 percent. The change occurred from a below-average reading in the prior month and thus the new level was only slightly above the average from the past two years (chart, left). Multi-family construction enjoyed a strong recovery in the early years of the expansion, and it has probably reached a peak for the current cycle.

Single-family starts rose 3.9 percent after showing little net change in the prior few months. The level of activity did not represent a new high for the current cycle, but it was only modestly below the spike in November of last year (chart, right). Single-family starts have jumped around from month-to-month, but the underlying trend is upward.

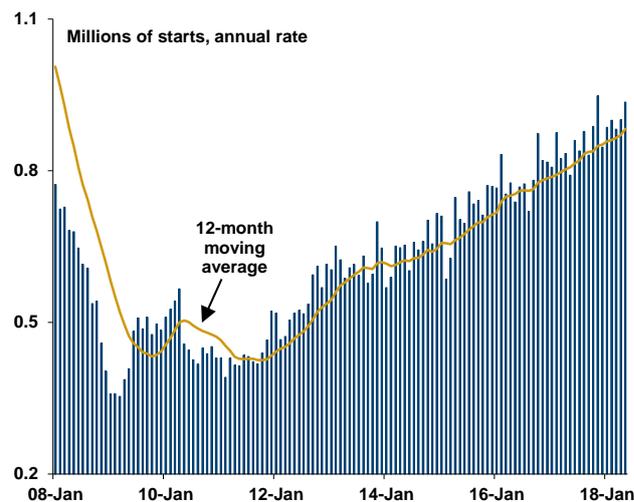
The report on housing starts for May was favorable, but two elements might dampen enthusiasm. First, the increase was narrowly based geographically, with all of the gain occurring in the Midwest, where total starts rose by a stunning amount (62.2 percent) to a level well outside the recent norm. Starts in the other three major regions fell a combined 3.4 percent with all three losing ground. Second, building permits were soft, dropping 4.6 percent, with both the single-family and multi-family sectors contributing (off 2.2 percent and 8.8 percent, respectively). The decline in authorizations, while disappointing, does not necessarily suggest soft results for starts in the next month or two. The decline may have simply been the result of unused permits obtained in prior months. Also, Builders can often obtain permits quickly, allowing them to get authorization and start construction in the same month.

### Multi-Family Housing Starts



Source: U.S. Census Bureau via Haver Analytics

### Single-Family Housing Starts



Source: U.S. Census Bureau via Haver Analytics

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