

U.S. Data Review

- Housing Starts: correction to multi-family activity in Sept; dip in single-family

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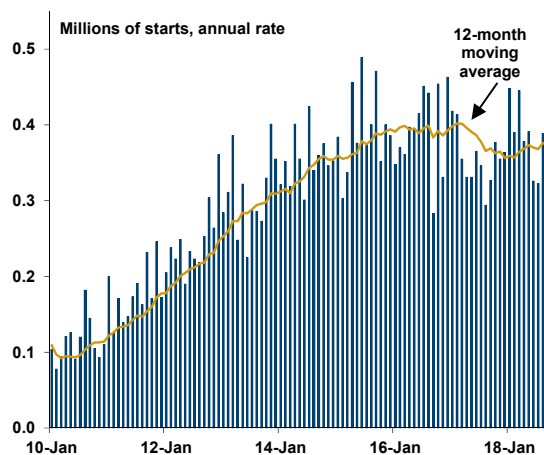
Housing Starts

Housing starts fell 5.3 percent in September, almost identical to the expected retreat of 5.6 percent. The breakdown between single-family and multi-family activity also was in line with expectations, as most of the softness was the result of an adjustment in the volatile multi-family sector, which had jumped to a high-side reading in August and moved to the low portion of the recent range in September (chart, left). Multi-family activity peaked in late 2016 or early 2017 after a solid recovery, and it has inched lower since. Low-side readings in three of the past four months suggest a continuation of the downward drift. Downward revisions to multi-family starts in the prior two months added to the soft tone in multi-family activity (multi-family starts in August and September combined were 1.1 percent lighter than previously estimated).

Single-family starts contributed mildly to the decline in the headline figure, dropping 0.9 percent. This area seems to have lost its upward momentum. Activity had been moving irregularly upward through the first portion of 2018, but starts fell noticeably in June and they have recouped only a small portion of the loss in the past three months (chart, right). Builders seem to have taken a cautious stance with sales of new homes easing this year and inventories of unsold homes moving upward.

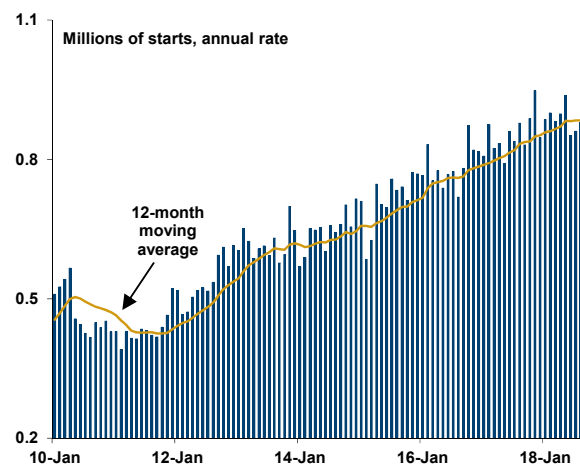
Building permits fell 0.6 percent, with all of the decline occurring in the multi-family area (off 7.6 percent). Permits are often obtained in the same month that construction begins, and thus the drop in multi-family permits was probably a reflection of the correction in starts. Single-family permits rose 2.9 percent, offering a hint of encouragement. However, the level of single-family permits remained below readings earlier in the year, dimming prospects for a breakout from recent soft readings.

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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