

U.S. Data Review

- Housing starts: sharp slowing in new construction

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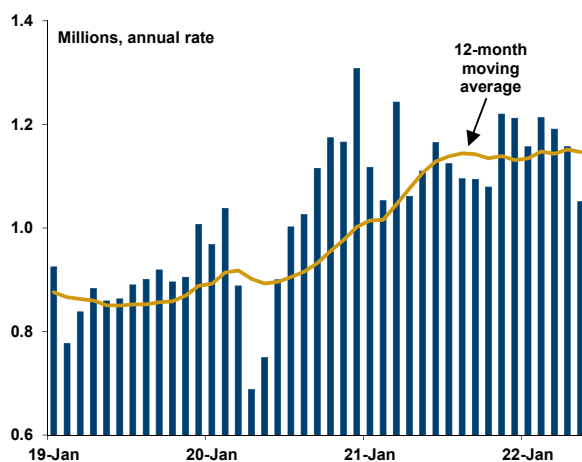
Housing Starts

Housing starts fell 14.4 percent in May to 1.549 million units (annual rate), a much sharper decline than the expected easing of 1.8 percent to 1.693 million. Results in the prior two months combined were revised higher by 2.1 percent, but the adjustments did little to blunt the soft tone of the report. A drop in housing affordability in recent months (elevated prices and higher interest rates) has cooled demand in the housing market, and builders are responding by slowing new construction.

Single-family starts fell 9.2 percent to 1.051 million units (chart, left). New construction had drifted only slightly lower in the prior five months, but the drop in May pushed starts to the bottom of the range of the past year and one-half. While activity remained above all readings in the prior expansion, it is 7.1 percent below the average of 1.131 million from last year. Single-family permits fell for the third consecutive month (down 5.5 percent in May to 1.048 million, and off 13.0 percent combined from March thru May). With builders holding an elevated stock of new homes, and with demand eroding, single-family starts are likely to be curtailed further in coming months.

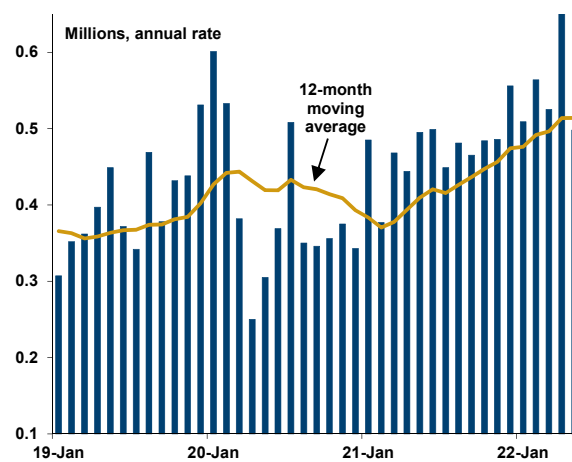
Multi-family starts dropped 23.7 percent in May to 498,000 units. Most of this decline probably represented an offset to an unusually firm reading in the prior month (the highest level in the past three expansions). The May total remained comfortably within the firm range of the prior 12 months (chart, right). Multi-family permits slipped 9.4 percent to 647,000. As with starts, some of this decline reflected offsets to strong readings in prior months; permits remained within their recent firm range. Multi-family activity could continue to perform well as affordability issues lead to softer demand for single-family homes.

Single-Family Housing Starts



Source: US Census Bureau via Haver Analytics

Multi-Family Housing Starts



Source: U.S. Census Bureau via Haver Analytics

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