

Housing Starts: Where the Mild Things Are

U.S. housing starts rose 0.5% to 590,000 annualized units in September, but the level fell well short of expectations owing to downward revisions. Starts, though up 23% from all-time lows in April, have stalled in the past three months and remain 28% below year-ago levels. Tempering the disappointment somewhat is that single-unit construction, which accounts for four-fifths of the total and is a more reliable gauge of underlying trends than the overall figure, rose for the sixth time in seven months, and by a solid 3.9% in September. It is up a whopping 40% from earlier lows and down just 9% from a year earlier. That said, the near-term outlook remains iffy, as homebuilder sentiment dipped unexpectedly in October. Moreover, building permits are down in two of the last three months (though largely due to weakness in multiples), and the number of units under construction continue to decline. This could reflect nervousness ahead of the looming November 30 deadline for the first-time home buyers tax credit, though the Administration has said that it is considering a proposal to extend the credit. The bigger concern likely stems from rising foreclosures in the resale market amid ongoing job losses.

(millions of units : a.r.)	Sep	Aug	Jul	(average)	
				3-month	12-month
Housing Starts	0.590	0.587	0.593	0.590	0.579
(m/m % chng : a.r.)	0.5	-1.0	0.5	0.0 *	-28.2 **
Single-Family Starts	0.501	0.482	0.506	0.496	0.435
Multi-Family Starts	0.089	0.105	0.087	0.094	0.144
Northeast	0.069	0.073	0.063	0.068	0.063
Midwest	0.107	0.109	0.112	0.109	0.096
South	0.300	0.280	0.291	0.290	0.294
West	0.114	0.125	0.127	0.122	0.125
Building Permits	0.573	0.580	0.564	0.572	0.568
(m/m % chng : a.r.)	-1.2	2.8	-1.1	2.1 *	-28.9 **
Single-Family Permits	0.450	0.464	0.463	0.459	0.412

* 3-month % change a.r. ** 12-month % change

The Bottom Line: Homebuilders continue to grind out a modest recovery, largely because near record-high affordability has driven new home sales to five straight monthly gains. However, the industry faces a slew of challenges, including the possible withdrawal of government incentives and mounting foreclosures.

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