

U.S. Data Review

- Housing starts: a tumble in single-family activity; multi-family remains firm

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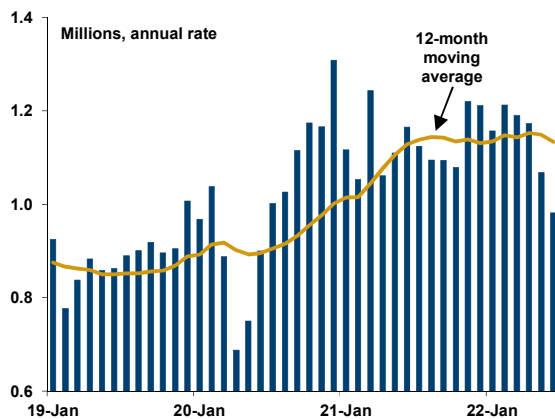
Housing Starts

Housing starts fell 2.0 percent in June, a marked difference from the expected increase of 2.0 percent. The drop occurred from an upward revised level in May (2.7 percent firmer than previously believed), but the level of starts was still a touch lighter than expected (1.559 million units, annual rate, versus the consensus estimate of 1.580 million)

The softness in June was concentrated in the single-family sector, where activity fell 8.1 percent. June represented the fourth consecutive decline and followed a retreat of 9.0 percent in May and an average drop of 1.7 percent in March and April. The recent soft patch has pushed activity to its lowest level since the early stages of the expansion (chart, left). The outlook does not appear bright, as home sales have slowed and the inventory of unsold homes has climbed to its highest level since the aftermath of the housing bubble in the mid-2000s. A drop of 8.0 percent in single-family building permits (the fourth consecutive decline) and a tumble in the sentiment index published yesterday by the National Association of Home Builders also suggest soft prospects for single-family housing. The Fed's tightening effort is having an influence in this sector.

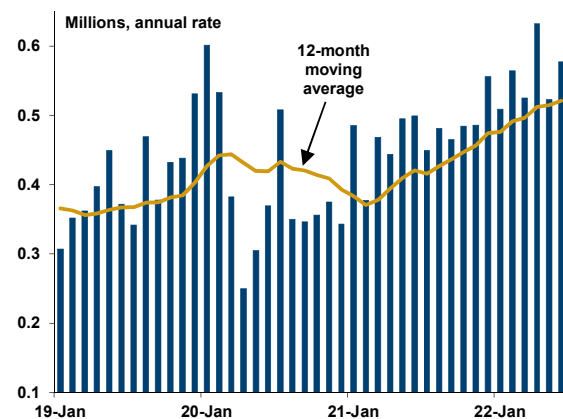
Multi-family starts, in contrast, are performing well. This sector typically shows a good bit of month-to-month volatility, but the recent ups and downs are tracing a definite upward trend, with a jump of 10.3 percent in June reinforcing that trend (chart, right). The outlook seems favorable, as elevated prices of single-family homes and high interest rates are pushing some potential home buyers to the rental market. Multi-family permits also are bode well for the outlook. An increase of 11.5 percent in authorizations in June offset all of the decline in May and pushed permits back to the upper portion of their recent range.

Single-Family Housing Starts



Source: U.S. Census Bureau via Haver Analytics

Multi-Family Housing Starts



Source: U.S. Census Bureau via Haver Analytics

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