

U.S. Data Review

- Housing starts: multi-family drops, but signs of revival in single-family activity

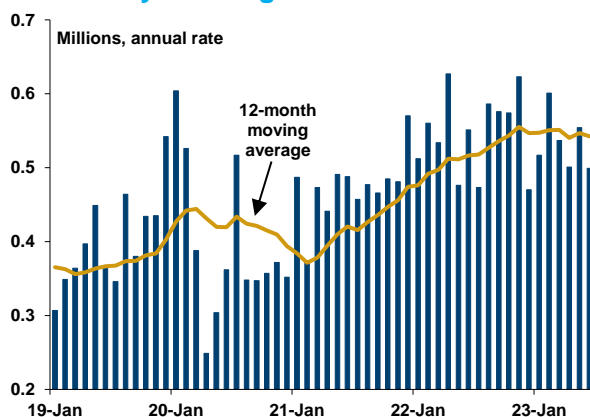
Lawrence Werther

Daiwa Capital Markets America
 212-612-6393
 lawrence.werther@us.daiwacm.com

Housing Starts

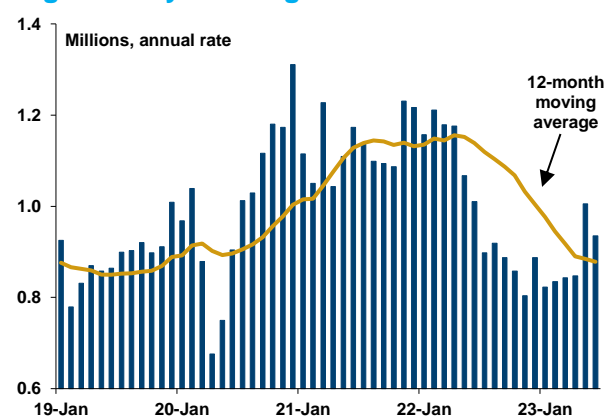
- Housing starts fell 8.0 percent in June to 1.434 million units, annual rate, a reading well below the consensus expectation of 1.480 million. Additionally, results in the prior month were revised lower, with total starts in May of 1.559 million 4.4 percent below the preliminary tally of 1.631 million. While the headline print was disappointing, and multi-family activity could be turning lower after a recent strong performance, we saw evidence of underlying improvement in the single-family area.
- A significant portion of the weakness in June was concentrated in the multi-family area, where starts fell 9.9 percent to 0.499 million units, annual rate, from a downwardly adjusted reading in May (0.594 million versus a preliminary result of 0.634 million; the preliminary reading had been a new high for the current expansion prior to the revision). The combined shifts left multi-family activity in the lower portion of the range of the past two years and suggest that construction of new rental housing may have peaked (chart, left).
- A drop of 12.8 percent in multi-family permit issuance to 0.518 million added to the downward trend since last summer. The softening in permit issuance in the back half of last year and year-to-date decline of 21.6 percent further support the view that multi-family residential construction is decelerating.
- Single-family housing starts slipped 7.0 percent in June to 0.935 million units from upward-revised results (1.005 million in May versus preliminary reading of 0.997 million). Despite the cooling in June, single-family activity is 16.3 percent above the recent low of 0.804 million in November 2022 (chart, right). The combination of the recent recovery in starts and increase in permit issuance (see below) suggest that single-family residential construction could be entering the early stages of a revival.
- Reason for optimism regarding single-family construction also was evident in building permits, which rose for the fifth consecutive month. Permit issuance in June increased 2.2 percent to 0.922 million, annual rate; authorizations are up 23.3 percent year-to-date, raising the prospect of further increases in single-family starts in coming months.
- Results on housing starts through June suggest a drag from private residential construction on GDP growth in Q2, but it could be less than the contraction of 4.0 percent in Q1 and much improved from the Q4/Q4 decline in 2022 of 18.8 percent.

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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