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TD Economics

Data Release: Housing starts ease in November

- The pace of homebuilding in America slumped in November, with housing starts declining by 250k units to 1,090k (annualized) from a red-hot pace the month prior which upwardly revised to 1,340k units. The headline number came in considerably weaker than market expectations, which called for a 1,230k print.
- Most of the decline was concentrated in the multifamily segment (-215k), but the pace of single-family construction also slowed somewhat on the month (-35k).
- Building permits also took a hit, posting the second largest decline this year (-59k to 1201k). The one silver lining of the report was found in single-family permits, which rose for the fourth consecutive month, albeit only modestly (+4k). The multi-family segment, on the other hand, took a beating, falling by 63k units on the month.
- The monthly loss was geographically broad-based. The Northeast (-87k) led the way, followed by the West (-76k), South (-58k), and Midwest (-29k) regions.

Key Implications

- This morning's report was not an overly encouraging one as both new construction and permit issuance pulled back more than expected in November. Still, some pullback was expected with the decline in the headline housing starts coming on the heels of a large gain in the prior month – related to builders ramping up construction after delaying it ahead of Hurricane Matthew.
- The details of the report were somewhat encouraging. Single-family homebuilding, despite the decline, held near a post-recession high, with the lion's share of the pull-back coming from the volatile multifamily segment. Moreover, the NAHB's Housing Market Index actually moved the other way yesterday, jumping to a 9-year high in November at 70, suggesting that interest in new homes continues to improve.
- Overall, domestic fundamentals remain largely supportive of continued gains in homebuilding. Demand for single family home continues to increase according to the most recent Beige Book, supported by an increasingly healthy labor market, improving household balance sheets, and a rebound in household formation. Although the post-election spike in rates poses some downside risk to our outlook for housing demand and construction, the improving economic fundamentals should provide enough of an offset to keep homebuilding on a moderately positive course.

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