



TD Economics

November 17, 2016

Data Release: Housing starts surge to post recessionary high in October

- Housing starts surged by 269k units to 1,323k units (annualized) in October, marking a more than 9-year high and beating expectations for a more moderate rebound to 1,156k units. A revision to the prior months left the overall tally little changed during September, with the revision adding only 7k units to the still disappointing print while adding 14k to the August tally.
- Most of the increase was concentrated in the multifamily segment (+185k), which more than offset the losses (-110k) that were recorded in the prior month. The pace of single-family construction also rose robustly on the month (+84k), taking the level of single-family homebuilding to a new post-recessionary high of 869k units (annualized).
- Building permits also ticked higher, rising by 4k units to 1,229k units (annualized), and nearing the high that was reached last November. Permitting in the single family segment increased by 20k, but was somewhat offset by a modest pullback in the volatile multifamily segment (-16k) following a strong increase during the prior month (+67k).
- The monthly gain was geographically broad-based. The South (+94k) led the way, followed by the Midwest (+67k), West (+65k), and Northeast (+43k) regions.

Key Implications

- Concerns over homebuilding following last month's disappointing report should largely be put to rest with this morning's very strong housing report. Starts recorded a solid rebound following the prior month's sharp decline, which appears to be partly related to the anticipated landfall of Hurricane Matthew. Moreover, permitting activity continued to grind higher suggesting continued gains in homebuilding. This narrative is corroborated by high confidence amongst homebuilder, with the NAHB's Housing Market Index remaining near the recent post-recessionary high at 63 in November.
- While the post-election spike in mortgage rates does pose some downside risk to our outlook for housing demand and construction, we believe the robust job and income gains should help offset much of the near-term rate shock and keep homebuilding on a positive course.
- Markets are now almost certain that the Federal Reserve will increase rates by a quarter-point during their next rate-setting meeting in mid-December with Chair Yellen signaling that an interest rate hike could come 'relatively soon' in her Congressional testimony this morning. Having said that, the pace of rate hikes down the road looks to remain gradual, and should help support future housing demand and construction activity.

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