

United States

New Residential Construction (C20)



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Actual 1.439 mil, SAAR

Previous * N/A

Moody's Analytics 1.45 mil, SAAR

Consensus 1.478 mil, SAAR

Coverage Sep. 2022

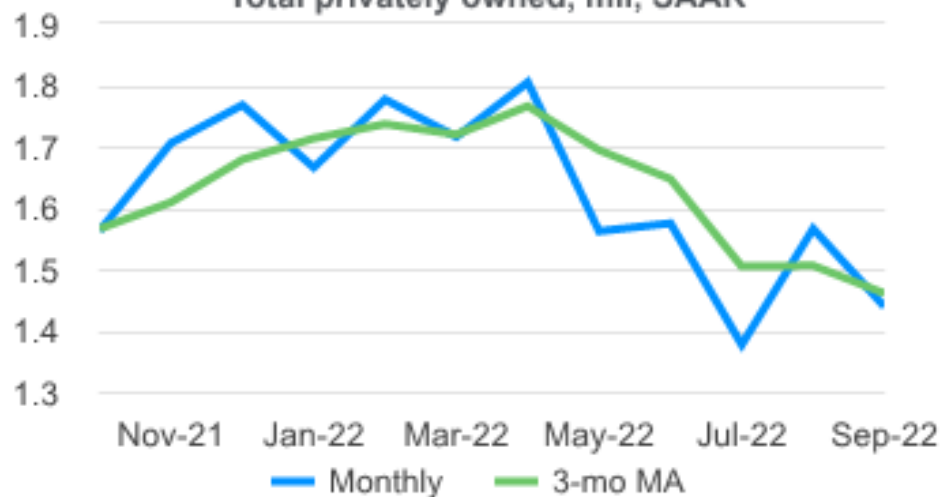
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[Definition](#)
[Source](#)

Housing Starts

Total privately owned, mil, SAAR


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First Take

The U.S. housing market is feeling the effects of higher mortgage rates, reduced demand, and elevated construction costs. Housing starts fell from a revised 1.566 million annualized units in August (previously 1.575 million) to 1.439 million in September. The drop was a little more than our below-consensus forecast of 1.45 million annualized units. Starts were down 8.1%, the second decline in the past three months. Single-family starts were down 4.7% while multifamily fell 13.2%. On a year-ago basis, total housing starts were down 7.7%. Leading indicators were mixed as single-family permits fell 3.1%. They have dropped for the bulk of this year. However, multifamily permits, which are volatile, rose 7.8% after falling 14.7% in August.

New Residential Construction

	Sep 22	Aug 22	Jul 22	Jun 22	May 22	Apr 22	Mar 22	Feb 22
mil, SAAR								
Housing starts	1.439	1.566	1.377	1.575	1.562	1.805	1.716	1.777
Single-family	0.892	0.936	0.900	1.013	1.073	1.173	1.191	1.213
Multifamily*	0.547	0.630	0.477	0.562	0.489	0.632	0.525	0.564

Housing permits	1.564	1.542	1.685	1.696	1.695	1.823	1.879	1.857
Single-family	0.872	0.900	0.932	0.970	1.051	1.109	1.163	1.204
Multifamily	0.692	0.642	0.753	0.726	0.644	0.714	0.716	0.653
% change								
Housing starts	-8.1	13.7	-12.6	0.8	-13.5	5.2	-3.4	6.7
Single-family	-4.7	4.0	-11.2	-5.6	-8.5	-1.5	-1.8	4.8
Multifamily*	-13.2	32.1	-15.1	14.9	-22.6	20.4	-6.9	10.8
Housing permits	1.4	-8.5	-0.6	0.1	-7.0	-3.0	1.2	0.9
Single-family	-3.1	-3.4	-3.9	-7.7	-5.2	-4.6	-3.4	0.6
Multifamily	7.8	-14.7	3.7	12.7	-9.8	-0.3	9.6	1.4
Other detail								
Total housing completions, mil, SAAR	1.427	1.345	1.411	1.391	1.440	1.339	1.366	1.380
% change	6.1	-4.7	1.4	-3.4	7.5	-2.0	-1.0	10.7

* Does not appear in the Census C20 report.

The Numbers

- Real residential investment is going to subtract from third-quarter GDP. Housing starts fell 8.1% in September to 1.439 million annualized units. The drop was a little more than our below-consensus forecast of 1.45 million annualized units. Housing starts have averaged 1.554 million annualized units over the prior six months, compared with the 1.6 million in August.
- Single-family housing starts were down 4.7% to 892,000 annualized units. Single-family starts have risen only once since February and were north of 1 million as recently as June. Multifamily starts were down 13.2% to 547,000 annualized units. Multifamily starts are volatile and this decline reverses only some of the 32.1% gain in August.
- Leading indicators were mixed. Total housing permits rose 1.4% to 1.564 million annualized units. Permits in August were revised higher. Still, the trend in housing permits has clearly weakened, which is not surprising because housing is extremely sensitive to interest rates. Single-family permits fell 3.1% while multifamily rose 7.8%.
- Total housing completions increased 6.1% to 1.427 million annualized units. Single-family completions were up 3.2% while multifamily rose 14.9%.
- The pipeline remains full, but there is likely a limit to the number of units builders can handle. The number of permits not started remained at 291,000 in September.

Behind the Numbers

The Federal Reserve is getting what it wants. The housing market needed to cool, and higher interest rates were the only thing that was going to accomplish that. Residential investment will be a drag on third-quarter GDP growth. The Fed is focused on taming inflation, and the strength of the labor market provides the cover to continue to aggressively tighten monetary policy.

The housing market is extremely interest-rate sensitive; therefore, it shouldn't be surprising that the trend in housing starts to decline as homebuilder confidence has dropped. The NAHB housing market index decreased in October. This is the 10th consecutive monthly decline, the longest streak since the inception of the data in 1985.

The NAHB housing market index is a good indication of the trend in housing starts, not the level. The drop in sentiment points toward further declines in housing starts over the next couple of months. Therefore, there is more pain ahead for residential investment. That said, the data will be choppy, as rebuilding following Hurricane Ian will likely lead to an increase in both starts and

permits in the South.
