

## Economics Group

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# Housing Starts Fall Back From Their Elevated November Pace

*Housing starts fell 8.2 percent in December to a 1.192 million unit pace. Starts had surged in the prior month due to unseasonably mild weather and some bounce back from hurricane disruptions.*

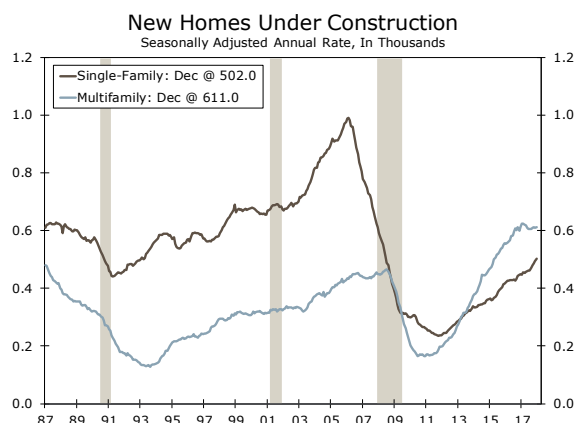
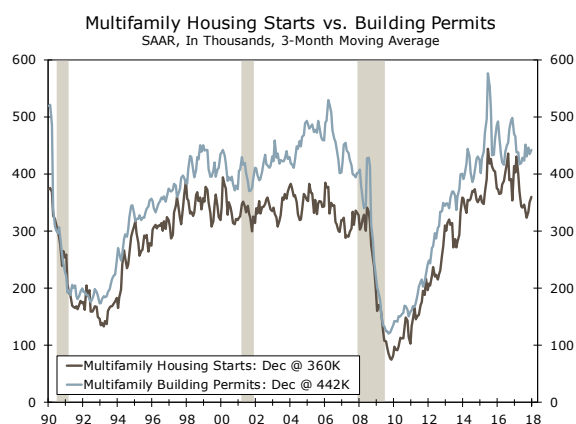
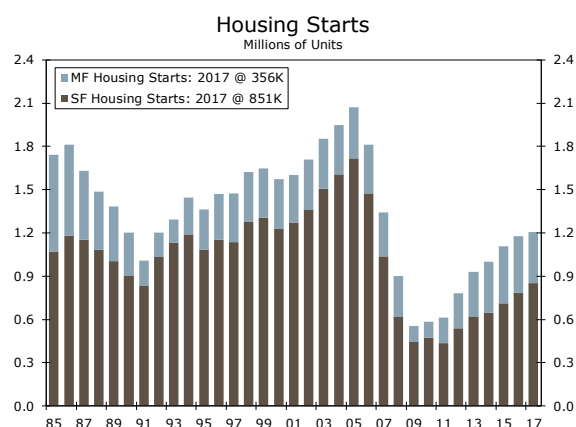
## Homebuilding Appears Set For A Solid Year

December's 8.2 percent pullback in housing starts appears to be nothing more than the typical winter volatility. Residential construction tends to pull back as winter approaches, so anything outside the norm tends to have a disproportionate impact on the reported figures. December's pullback was entirely in single-family starts, which tumbled 11.8 percent. Multifamily starts rose 1.4 percent on the month. With the December data we now have our first look at 2017 as whole. Overall starts rose 2.4 percent to a 1.202 million unit pace. Single-family starts rose 8.5 percent, while multifamily starts fell 9.8 percent. The data will be revised in coming months.

Housing permits fell just 0.1 percent in December and ended the year at a 1.302 pace, which is well above the most recent level of starts. Permits for new single-family homes rose 1.8 percent in December, while permits for new multifamily projects fell 3.9 percent. The permit data show a great deal of strength toward the end of the year. Overall permits averaged a 1.307 million unit pace, which is 4.5 percent stronger than overall starts. Multifamily permits are well above starts, with the past three months running a whopping 22.6 percent above starts. The late-year surge in multifamily permits appears to be unrelated to the hurricanes. Permits are up the most relative to starts in the Northeast, where they are running 54.6 percent above starts, and the West, where they are 32.4 percent ahead of starts.

The strength in permits relative to starts suggests homebuilding will ramp up once the weather warms up. Starts rose at a 29.7 percent pace in the fourth quarter, while permits surged at a 25.5 percent pace. We look for single-family starts to rise 11.2 percent in 2018 and look for multifamily starts to rise 1.4 percent. The late-year surge in multifamily permits suggests we may see more strength than that. Apartment construction may catch a second wind in 2018, after slipping this past year. Interest in condominium development also seems to be perking up.

Single-family completions jumped 4.3 percent in December to an 818,000 unit annual rate. The West accounted for all of that increase, with single-family completions surging 21.6 percent. Supply shortages remain a problem throughout most of the country and builders are selling homes as fast as they build them. The number of single-family homes under construction rose 1.4 percent to a 502,000 unit pace. Once again, most of that increase was in the West, which saw a 3.9 percent increase on the month. The West has been the region most starved for new homes and attitudes toward new residential development have softened a touch over the past year, leading to increased construction in several hot spots like Southern California, the San Francisco Bay Area, Denver and Salt Lake City. In addition, growth has gotten solidly back on track in Phoenix and Las Vegas.



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