



Economics Group

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Housing Starts Rebound in August But Permits Drop

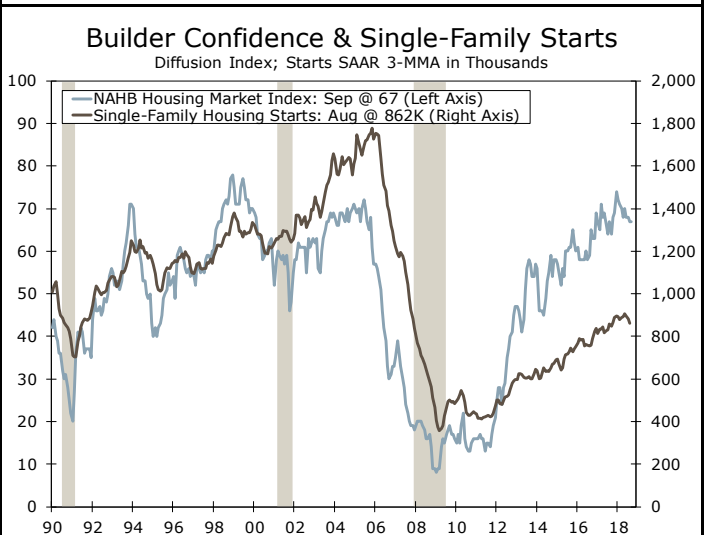
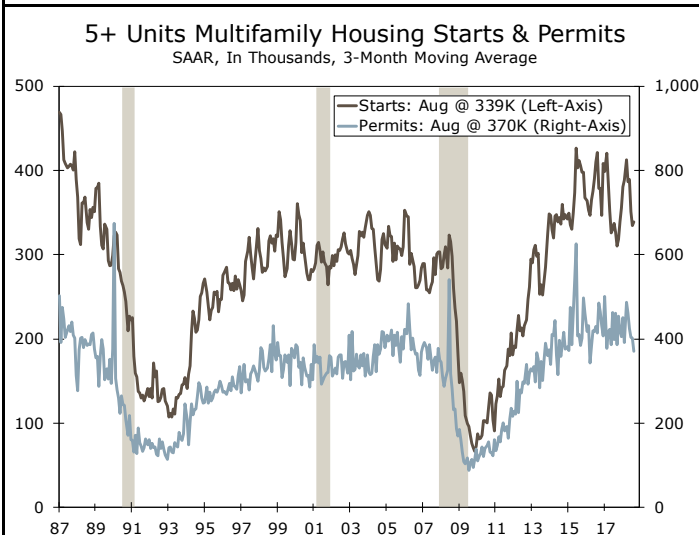
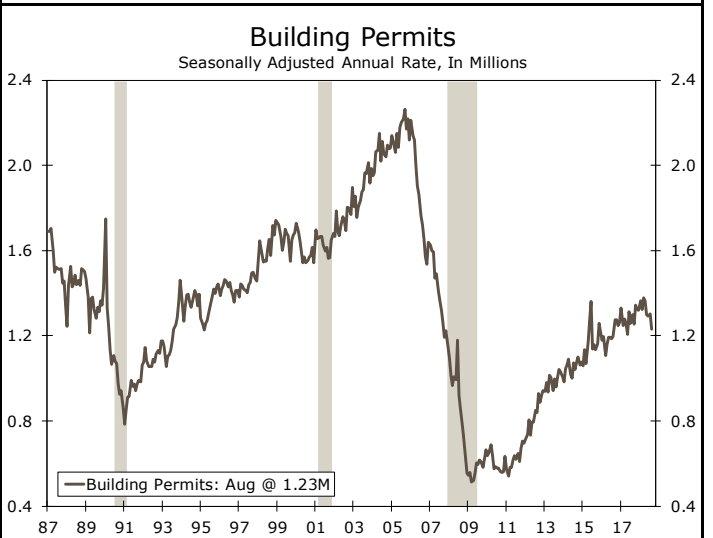
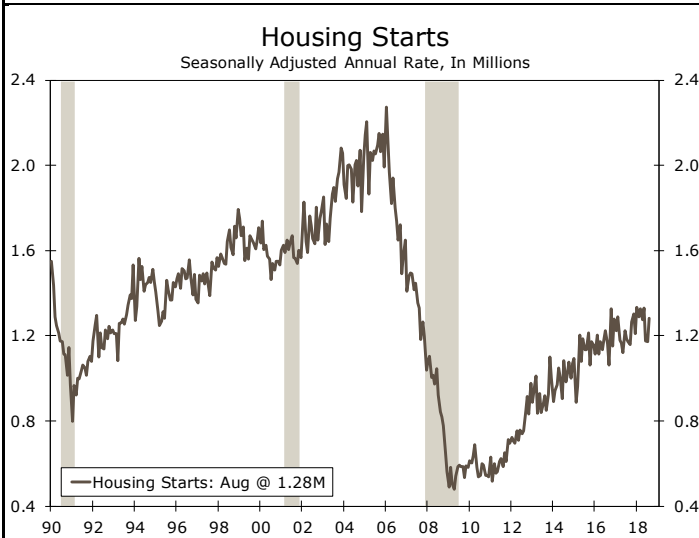
Housing starts rose 9.2% in August, with most of the gain coming from a 29.3% rise in multifamily starts. Single-family starts rose 1.9%. Building permits fell, however, which takes the shine off of the rebound in starts.

Homebuilding Remains in a Soft Patch

- This past month's 9.2% rise in housing starts was larger than consensus estimates but does not likely signal a significant improvement in homebuilding. Most of the gain was in the volatile multifamily segment, and both multifamily and single-family starts remain below the pace seen earlier this year.
- Apartment construction is proving resilient, as affordability and supply concerns are preventing many renters from buying.

Soft Permits Suggest Housing Remains in the Slow Lane

- Housing permits fell 5.7% in August, with multifamily declining 4.9% and single-family dropping 6.1%. Permits are now running below starts, suggesting homebuilding is losing momentum.
- The drop in permits and continued sluggish pace of homebuilding fly in the face of the still strong homebuilders' survey. Shortages of lots and construction workers and higher material prices might be holding back some projects, particularly starter homes.



Source: U.S. Department of Commerce, National Association of Homebuilders (NAHB) and Wells Fargo Securities

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