



# Economics Group

**Mark Vitner, Senior Economist**  
[mark.vitner@wellsfargo.com](mailto:mark.vitner@wellsfargo.com) • (704) 410-3277  
**Charlie Dougherty, Economist**  
[charles.dougherty@wellsfargo.com](mailto:charles.dougherty@wellsfargo.com) • (704) 410-6542

## Housing Starts Rise in November

**Total housing starts jumped 3.2% to a 1.256 million-unit pace in November. Building permits also increased 5.0% during the month. Single-family starts continued to fall, while multifamily starts jumped 22.4%.**

### Multifamily Boosts Overall Starts

Total housing starts came in slightly stronger than expected and rose 3.2% during November. However, all of the monthly rise can be attributed to a 22.4% jump in the volatile multifamily segment. Single-family starts fell 4.6%, to an 824,000-unit pace. November marks the third consecutive monthly decline and brings single-family starts down to the lowest level since May 2017. Total starts were 3.6% lower year-over-year. This comparison is difficult, however, since November was the strongest month of 2017. Revisions for the prior two months were positive on balance and on a year-to-date basis, total starts are up 5.1% compared to 2017.

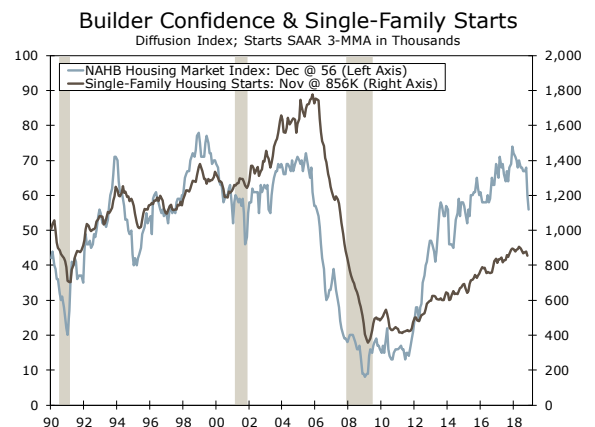
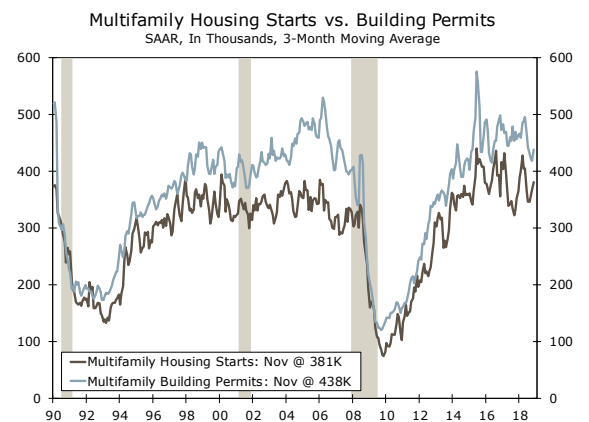
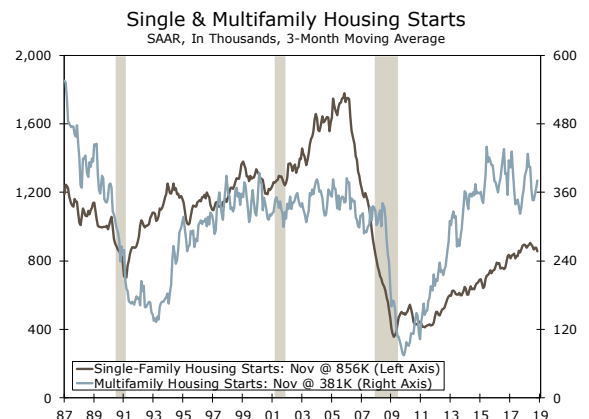
While new single-family construction has clearly slowed in recent months, some of November’s weakness may be attributed to wildfires in California. The West saw a substantial 24.4% drop in single family starts, a pace well below recent history. Building permits in the West have also largely held up this year and have not seen such a dramatic drop-off. Starts surged 15.1% in the South, which might assuage some fears that residential construction has significantly slowed in the largest region for new homebuilding. The seasonally adjusted gain, however, results from the lack of a falloff in actual starts, making the seasonally adjusted jump less of a positive.

Building permits also registered a strong monthly gain and rose 5.0%. Similar to starts, nearly all of the gain occurred in multifamily permits, which jumped 14.8%. Meanwhile, single-family permits edged up just 0.1%. Given the permits data, we expect single-family to remain sluggish and look for multifamily starts to remain near their recent levels.

### Builder Confidence Drops Again in December

After plunging eight points in November, the NAHB Housing Market Index fell four points to 56 in December. The index remains elevated relative to historical averages and the 67 average reading for 2018 is still roughly on par with 2017’s average of 68. Moreover, any reading above 50 indicates that a majority of builders see current conditions as good rather than poor. Builders have now reported weakening housing demand for the second consecutive month, and the sharp 12 point decline since October is the largest two-month drop since 2001. Every component of the index edged lower over the month, notably in the present conditions component, which declined six points. Builder confidence in the outlook also diminished for the second straight month, as the future sales index fell four points to 61. Traffic of prospective buyers also dropped during the month.

Each region also took a hit in builder confidence, notably in the Northeast which saw a 15 point-decline after falling nine points in November. The Northeast, however, represents a relatively small region for new home building. More worrisome is the significant softening in the West and South where over 75% of new residential construction occurs. Each of those regions has seen a cumulative nine point drop over the past two months.



## Wells Fargo Securities Economics Group

Diane Schumaker-Krieg	Global Head of Research, Economics & Strategy	(704) 410-1801 (212) 214-5070	diane.schumaker@wellsfargo.com
Jay H. Bryson, Ph.D.	Global Economist	(704) 410-3274	jay.bryson@wellsfargo.com
Mark Vitner	Senior Economist	(704) 410-3277	mark.vitner@wellsfargo.com
Sam Bullard	Senior Economist	(704) 410-3280	sam.bullard@wellsfargo.com
Nick Bennenbroek	Macro Strategist	(212) 214-5636	nicholas.bennenbroek@wellsfargo.com
Azhar Iqbal	Econometrician	(212) 214-2029	azhar.iqbal@wellsfargo.com
Tim Quinlan	Senior Economist	(704) 410-3283	tim.quinlan@wellsfargo.com
Sarah House	Senior Economist	(704) 410-3282	sarah.house@wellsfargo.com
Charlie Dougherty	Economist	(704) 410-6542	charles.dougherty@wellsfargo.com
Erik Nelson	Macro Strategist	(212) 214-5652	erik.f.nelson@wellsfargo.com
Michael Pugliese	Economist	(212) 214-5058	michael.d.pugliese@wellsfargo.com
Brendan McKenna	Macro Strategist	(212) 214-5637	brendan.mckenna@wellsfargo.com
Abigail Kinnaman	Economic Analyst	(704) 410-1570	abigail.kinnaman@wellsfargo.com
Shannon Seery	Economic Analyst	(704) 410-1681	shannon.seery@wellsfargo.com
Matthew Honnold	Economic Analyst	(704) 410-3059	matthew.honnold@wellsfargo.com
Donna LaFleur	Executive Assistant	(704) 410-3279	donna.lafleur@wellsfargo.com
Dawne Howes	Administrative Assistant	(704) 410-3272	dawne.howes@wellsfargo.com

Wells Fargo Securities Economics Group publications are produced by Wells Fargo Securities, LLC, a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority, and the Securities Investor Protection Corp. Wells Fargo Securities, LLC, distributes these publications directly and through subsidiaries including, but not limited to, Wells Fargo & Company, Wells Fargo Bank N.A., Wells Fargo Clearing Services, LLC, Wells Fargo Securities International Limited, Wells Fargo Securities Canada, Ltd., Wells Fargo Securities Asia Limited and Wells Fargo Securities (Japan) Co. Limited. Wells Fargo Securities, LLC, is registered with the Commodities Futures Trading Commission as a futures commission merchant and is a member in good standing of the National Futures Association. Wells Fargo Bank, N.A. is registered with the Commodities Futures Trading Commission as a swap dealer and is a member in good standing of the National Futures Association. Wells Fargo Securities, LLC and Wells Fargo Bank, N.A. are generally engaged in the trading of futures and derivative products, any of which may be discussed within this publication. Wells Fargo Securities, LLC does not compensate its research analysts based on specific investment banking transactions. Wells Fargo Securities, LLC's research analysts receive compensation that is based upon and impacted by the overall profitability and revenue of the firm which includes, but is not limited to investment banking revenue. The information and opinions herein are for general information use only. Wells Fargo Securities, LLC does not guarantee their accuracy or completeness, nor does Wells Fargo Securities, LLC assume any liability for any loss that may result from the reliance by any person upon any such information or opinions. Such information and opinions are subject to change without notice, are for general information only and are not intended as an offer or solicitation with respect to the purchase or sales of any security or as personalized investment advice. Wells Fargo Securities, LLC is a separate legal entity and distinct from affiliated banks and is a wholly owned subsidiary of Wells Fargo & Company © 2018 Wells Fargo Securities, LLC.

### Important Information for Non-U.S. Recipients

For recipients in the EEA, this report is distributed by Wells Fargo Securities International Limited ("WFSIL"). WFSIL is a U.K. incorporated investment firm authorized and regulated by the Financial Conduct Authority. For the purposes of Section 21 of the UK Financial Services and Markets Act 2000 ("the Act"), the content of this report has been approved by WFSIL, an authorized person under the Act. WFSIL does not deal with retail clients as defined in the Directive 2014/65/EU ("MiFID2"). The FCA rules made under the Financial Services and Markets Act 2000 for the protection of retail clients will therefore not apply, nor will the Financial Services Compensation Scheme be available. This report is not intended for, and should not be relied upon by, retail clients.

SECURITIES: NOT FDIC-INSURED/NOT BANK-GUARANTEED/MAY LOSE VALUE