

## September 2018 Housing Starts, Oct. NAHB, Mortgage Apps

### Multifamily Construction Is Losing Steam

- Housing Starts fell by 5.3 percent in September to a 1,201,000 unit annual rate.
- Housing Permits eased by 0.6 percent in September to a 1,241,000 unit annual rate.
- Builder Confidence was little changed in October.
- Mortgage Applications fell by 7.1 percent for the week ending October 12.

Housing starts fell noticeably in September, down 5.3 percent, to a 1,201,000 unit annual rate. Single-family starts were down by 0.9 percent to an 871,000 unit annual rate, in the middle of the range seen so far in 2018. Multifamily starts fell by 15.2 percent to a 330,000 unit annual rate, at the low end of the range seen so far this year. Both single-family and multifamily starts were down in the South Census region in September, possibly impacted by Hurricane Florence. Total permits were more stable, dipping by just 0.6 percent for the month, to a 1,241,000 unit rate. Permits for new single-family construction increased by 2.9 percent in September to an 851,000 unit rate. However, multifamily permits dropped by 7.6 percent to a 390,000 unit rate, the lowest monthly figure so far in 2018. Permits in the South were up modestly. The single-family segment of residential construction is going sideways at best this year. The multifamily component has clearly weakened since early this year. Higher mortgage rates, higher land prices, higher materials costs and higher labor costs are all squeezing the entry-level segment of the housing market. We do not expect to see relief in any of those factors soon. With residential construction cooling, the push to U.S. GDP from this important economic accelerator is noticeably absent. Hurricane Michael may keep construction activity in the South subdued again in October. We expect to see stronger construction activity in the South later this year and into next year as the rebuilding effort from this fall's storms gets underway.

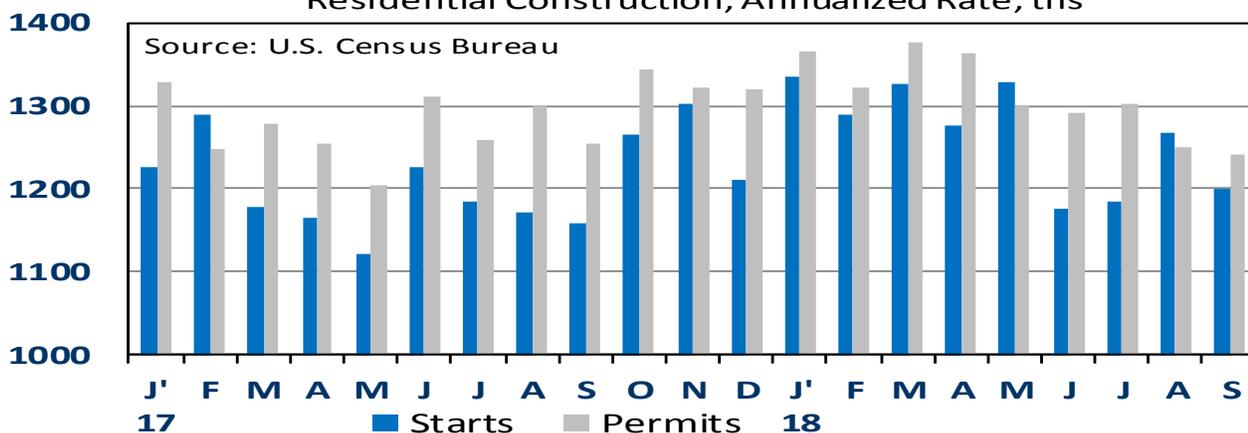
According to the National Association of Home Builders, their Builder Confidence Index increased by 1 point in October, to 68. The index remains below its recent peak of 74 from December 2017.

Total mortgage applications were down by 7.1 percent for the week ending October 12. Refi apps were off by 9.0 percent, their third consecutive weekly decline. Purchase apps dropped 5.9 percent, their second straight drop. On a four-week moving average basis refi apps were down 35.1 percent from the year-ago numbers, while purchase apps were nearly even, up by 0.3 percent. According to the Mortgage Bankers Association, the rate for a 30-year fixed rate mortgage increased to 5.1 percent.

**Market Reaction:** Stock indexes opened with losses. The yield on 10-year Treasury bonds is down to 3.15 percent. NYMEX crude oil is down to \$70.19/barrel. Natural gas futures are up to \$3.40/mmbtu.

## Res. Construction Not Pushing GDP Growth

Residential Construction, Annualized Rate, ths



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