

## November 2018 Housing Starts, December NAHB

### Single-Family Starts Are Still Sagging, Multifamily Bounced Back in November

- Housing Starts were up by 3.2 percent as multifamily starts surged.
- Housing Permits increased by 5.0 percent in November to a 1,328,000 unit annual rate.
- Builder Confidence fell in December.

Housing starts increased in November by 3.2 percent, to a 1,256,000 unit annual rate, supported by a surge in multifamily construction. Multifamily starts are usually the more volatile part of total housing starts and that was true in November. Multifamily starts jumped by 22.4 percent in November, to a 432,000 unit annual rate, the strongest pace since last March. Single-family starts declined for the third consecutive month, losing 4.6 percent in November to hit an 824,000 unit annual rate, the weakest monthly rate this year. Over the 12 months ending in November, single-family starts were down by 13.1 percent. Permits for new residential construction increased by 5.0 percent in November to hit a 1,328,000 unit rate, the strongest rate since last April. Again, the push came from multifamily projects. Single-family permits were little changed for the month, gaining 0.1 percent to an 848,000 unit annual rate. Multifamily permits were up by 14.8 percent, to a 480,000 unit annual rate. In sum, single-family construction continues to look weak. Multifamily benefitted from favorable volatility in November but is showing no consistent momentum.

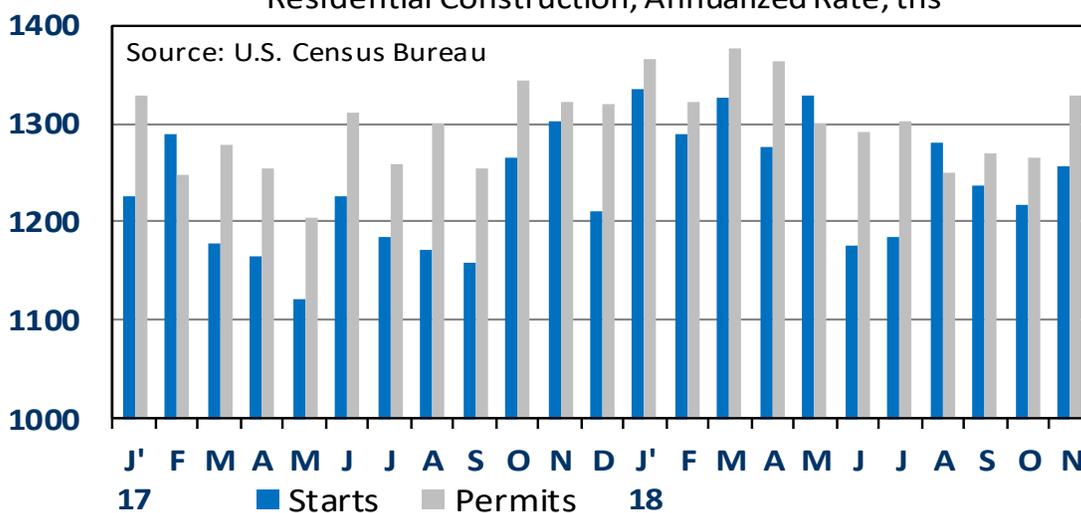
Builder confidence declined in December according to the National Association of Home Builders. Their index fell four points, to 56, the lowest reading since May 2015. Affordability issues were cited as key concerns for home buyers. The recent dip in mortgage rates may bring some buyers back into the market late in the year.

We expect the Federal Reserve to put a little more pressure on home mortgage rates by increasing the fed funds rate range by 25 basis points, to 2.25-2.50 percent Wednesday afternoon. The implied probability of a rate hike calculated by the CME Group from their fed funds futures market has dropped to 75 percent, which is much lower than the implied probabilities for recent expected rate hikes. We expect the Fed's new dot plot, to be released on Wednesday, to show that FOMC members collectively expect to see fewer rate hikes in 2019 now, compared with what they expected last September.

**Market Reaction:** Stock indexes opened with gains. The yield on 10-year Treasury bonds is down to 2.84 percent. NYMEX crude oil is down to \$48.53/barrel. Natural gas futures are up to \$3.47/mmbtu.

## Multifamily Was Stronger in November

Residential Construction, Annualized Rate, ths



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