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TD Economics

Data Release: Single-family construction hits post-recession record in November as Fed hike looms

- Housing starts increased by 101 thousand to 1,173 thousand (annualized) in November, handsomely beating expectations for an uptick to 1,130 thousand. Revisions to recent months' figures added two thousand and 16 thousand to October and September's tallies, respectively.
- The uptick in starts was evenly split. Single-family construction rose by 54 thousand on the month to 786 thousand annualized units – setting a new record for the recovery. Multifamily construction also gained, up 57 thousand on the month from a depressed October level.
- Building permits also gained on the month, increasing by 115 thousand to 1,169 thousand annualized. Permitting also beat expectations, which called for a more muted gain to 1,150 thousand.
- The monthly gain was largely concentrated in the South, where homebuilding rose by 111 thousand to 611 thousand annualized units, while the West (+15k) saw a smaller improvement. Midwest homebuilding was unchanged on the month, while builders in the Northeast (-12k) pulled back the pace of construction after a string of solid gains.

Key Implications

- This morning's report is a healthy one with both starts and permitting activity holding near post-recession highs. Moreover, the positive revisions to September, and less so October, suggest more residential investment in Q3 and a solid handoff for the segment into the year end.
- By far, the most encouraging element of the report had to do with the single-family segment topping its previous post-recession peak in both starts and permit terms. While the multifamily segment has been a strong performer for years, the singles category has lagged in light of the negative legacies of the Great Recession such as credit constraints and slow wage and income growth.
- At this point, many of these legacies are dissipating. The jobless rate has hit 5% and nascent signs of wage growth are appearing. This bodes well for the future of homebuilding in the country, with the segment healthy enough to withstand the first interest rate hike in nearly a decade. This should be made easier by the gradual, or even glacial, pace of Fed hikes in the coming quarters – a dynamic which should keep overall borrowing costs low well after liftoff.

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