



TD Economics

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Data Release: Housing starts pull back in November

- Housing starts fell to 1.028 million units in November, from an upwardly revised 1.045 million in October (previously reported at 1.01 million). November's number came in under market expectations for a 1.040 million print.
- The pullback in total starts was due to a 5.4% decline in single-family starts, which fell to 677k from 716k in October. On the other hand, multifamily starts rose 6.7% to 351k.
- Building permits also fell in November, dropping to 1.035 million units from 1.092 in October. Both single and multifamily permits decreased, but the bulk of the decline was in the multifamily segment. Single family building permits fell a modest 1.6% in the month, while multifamily permits dropped 11.6%
- By region, housing starts fell 19.5% in the South (the largest region), but were up were up 8.7% in the Northeast, 14.4% in the Midwest, and 28.1% in the West.

Key Implications

- The fall in housing starts is disappointing, especially as it was concentrated in the less volatile single-family component. The pain is eased somewhat by the upward revision to October and its concentration in the South – the fastest growing region in the country – suggesting that it will prove temporary.
- This has been a tough year for the housing sector. Housing construction has been volatile, but experienced little overall upward trend during 2014, with the pace of homebuilding unable to break much past the 1.0 million mark.
- Conditions are in place for a better performance over the next year. The economy has created over 2.6 million jobs and mortgage rates have fallen close to 80 basis points since the start of the year. With households further benefiting from the decline in energy prices, this sets the stage for an improvement in housing demand over the next year. From its current level, we expect overall housing starts to rise to 1.3 million by the end of 2015.

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