

## Homebuilders

# Builder confidence continues fall, but single-family starts holding up

Industry Overview

## Housing starts up in September and flat YoY in 3Q

September 2023 housing starts pace (seasonally adjusted annualized rate) increased to 1.36MM, compared to August starts of 1.27MM (+7.0% MoM) and 1.46MM in September 2022 (-7.2% YoY). In 3Q23, total housing starts were flattish YoY. 3Q single-family (SF) starts increased 7% YoY, the first quarterly YoY increase since 1Q22. Multi-family (MF) starts declined (28%) YoY in 3Q23 to the lowest level since 1Q21.

## Outlook: expect resilient SF and deteriorating MF

We expect single-family housing starts to increase 10% YoY in 4Q23 against a depressed base from last year (4Q22 SF starts declined 27% YoY), which would bring 2023 single-family starts to 920k (down 8% YoY, slightly below prior outlook of 933k). In 2024, we expect single-family housing starts to increase 6% YoY to 975k. For total housing starts in 2024, we expect starts to decline (5%) YoY to 1.3mm with ~30% decline in multi-family starts offsetting the increase in single-family starts.

## Housing permits decline (7.2%) YoY and (4.4%) MoM

September 2023 housing permits (SAAR) decreased to 1.47MM compared to 1.54 MM in August 2023 (-4.4% m/m and -7.2% y/y). Single-family permits rose 1.8% MoM and 11.6% YoY, while Multifamily permits fell (14.3%) MoM and (29.7%) YoY.

## Mortgage purchase applications still near 30-year lows

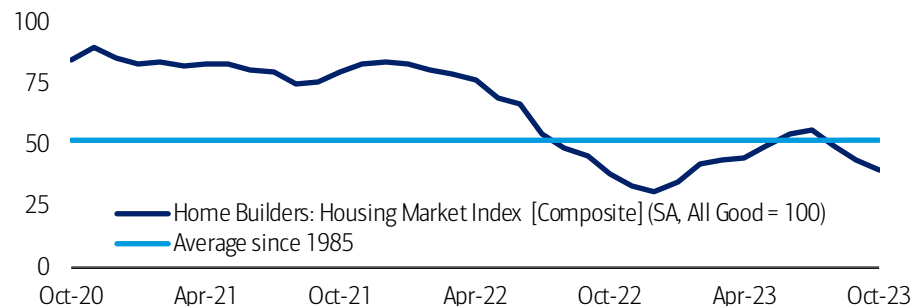
Mortgage Bankers Association (MBA) purchase applications index (seasonally adjusted) declined YoY (-19.4% YoY) last week. Mortgage applications of new and existing home purchases are running near 30-year lows due to lock-in effect of high mortgage rates.

## NAHB confidence declines for three consecutive months

Homebuilder confidence, as measured by the National Association of Home Builders (NAHB) Index, fell four points to 40 in October, the lowest level. The recent decline in confidence is tied to higher mortgage rates and worsening affordability.

### Exhibit 1: NAHB Homebuilder sentiment index

Homebuilder sentiment fell to 40 in October, indicating a negative view of the current market



Source: National Association of Home Builders

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18 October 2023

Equity  
United States  
Homebuilders

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SF: Single family

MF: Multi-family

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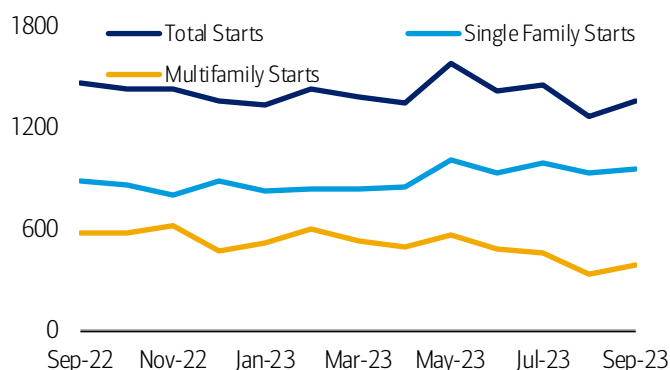
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## September housing starts down 7% YoY and up 7% MoM

September 2023 housing starts pace (seasonally adjusted annualized rate) increased to 1.36MM, compared to August starts of 1.27MM (+7.0% MoM) and 1.46MM in September 2022 (-7.2% YoY). Single family starts SAAR increased MoM and YoY (+3.2% MoM, +8.6% YoY). Multifamily (MF) starts increased MoM and decreased on YoY basis (+17.6% MoM, -31.4% YoY). By region: Midwest (+35.3% MoM, -3.3% YoY), South (+6.5% MoM, +4.6% YoY), West (+5.6% MoM, -18.3% YoY), and Northeast (-24.5% MoM, -43.9% YoY).

### Exhibit 2: US Housings Starts (SAAR; 1,000s units)

September single family +3.2% MoM, multifamily +17.6% MoM

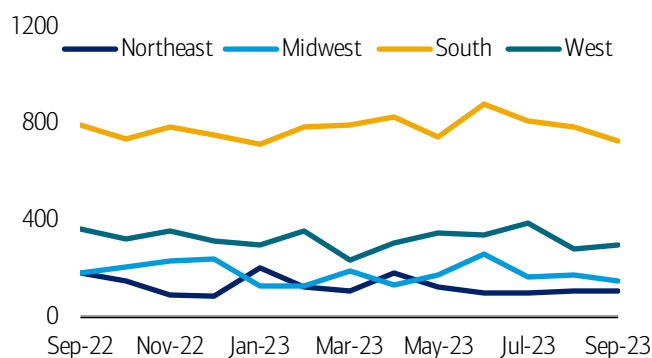


Source: Haver Analytics

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### Exhibit 3: US Housings Starts (SAAR; 1,000s units) by region

South region outperformed YoY, Midwest MoM

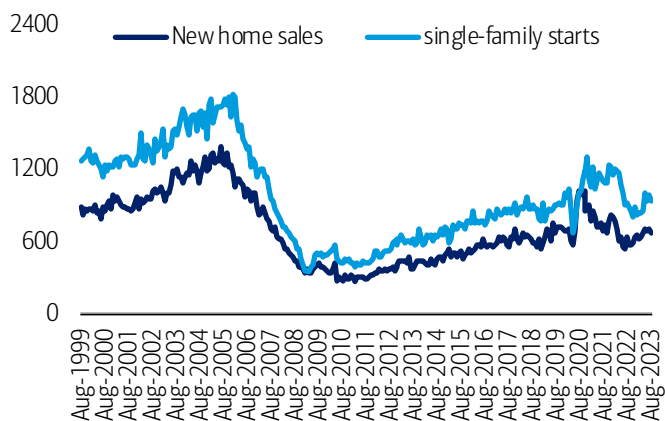


Source: Haver Analytics

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### Exhibit 4: New home sales vs. single-family starts (SAAR; 1,000s units)

New home sales decreased on a MoM basis in August 2023

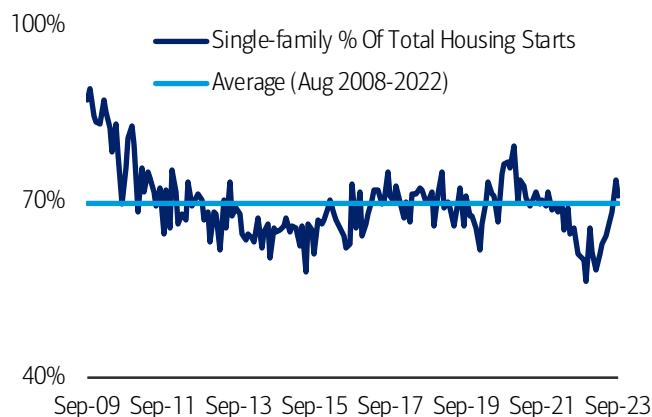


Source: Haver Analytics. August is the latest data point (New home sales)

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### Exhibit 5: US Housings Starts Single-Family as a % of Total Starts (SAAR; 1,000s units)

Single-family represents 71% of total housing starts in Sep 2023. Average (2008-2023) is 70%



Source: Haver Analytics

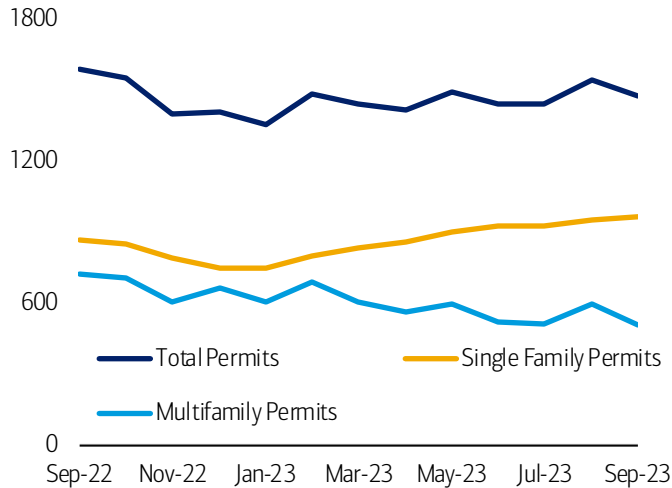
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**Exhibit 6: US Building Permits (SAAR; 1,000s units)**

September multifamily +2.0% m/m, single-family +15.8% m/m

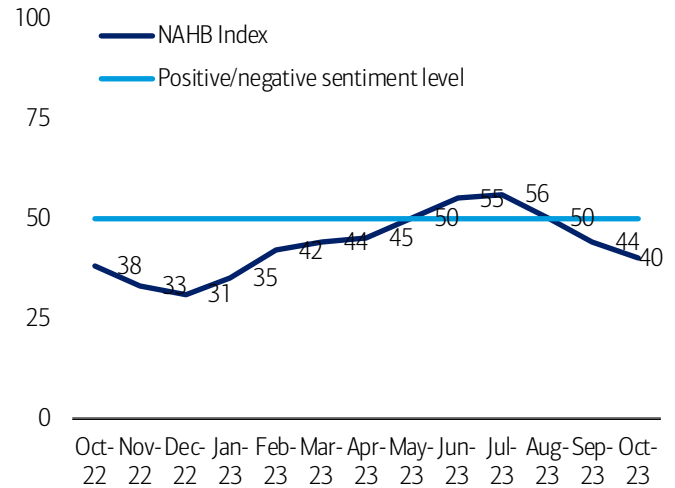


Source: Haver Analytics

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**Exhibit 7: NAHB Homebuilder sentiment index**

Builder sentiment fell to 40 in October



Source: National Association of Home Builders

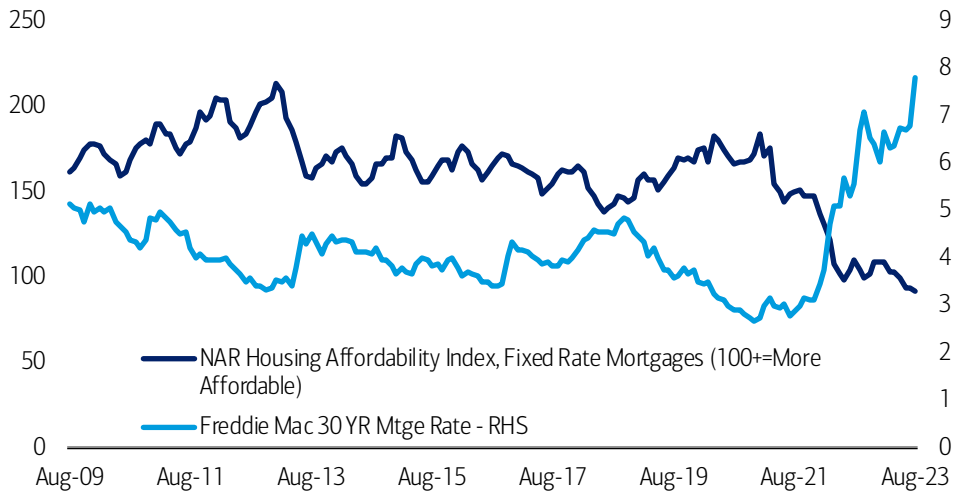
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**Housing affordability down MoM in August**

Mortgage rates have increased year-to-date affecting the affordability index and are now above 7% again. The National Association of Realtors (NAR) affordability index was down (17.0%) YoY in August, reaching a new all-time low, and down (2.3%) MoM.

**Exhibit 8: Affordability vs Freddie Mac 30 YR mortgage Rate**

Affordability reached a new low in August and down MoM



Source: Haver Analytics

Note: most recent affordability as of August

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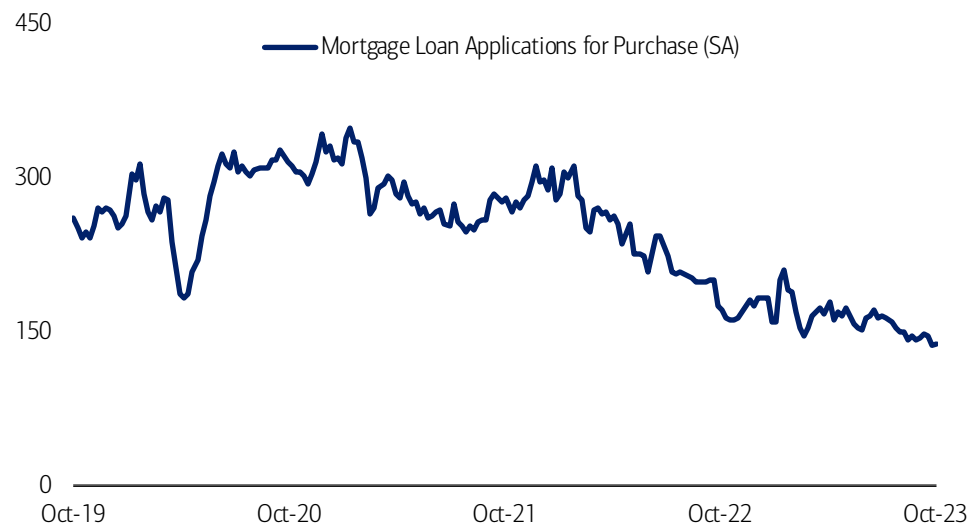
**MBA purchase index increased 0.7% WoW and down YoY**

The Mortgage Bankers Association (MBA) purchase index measures mortgage loan application volume. The Index is a leading indicator of home sales by four to six weeks. Mortgage Bankers Association (MBA) purchase applications index (seasonally adjusted)

increased 0.7% to 137.5 during the week ended October 6<sup>th</sup>, but was down -19.4% on a YoY basis.

#### Exhibit 9: Mortgage Bankers Association Purchase Index

MBA Purchase Index down 19.4% YoY



Source: Haver Analytics  
Data through October 06, 2023

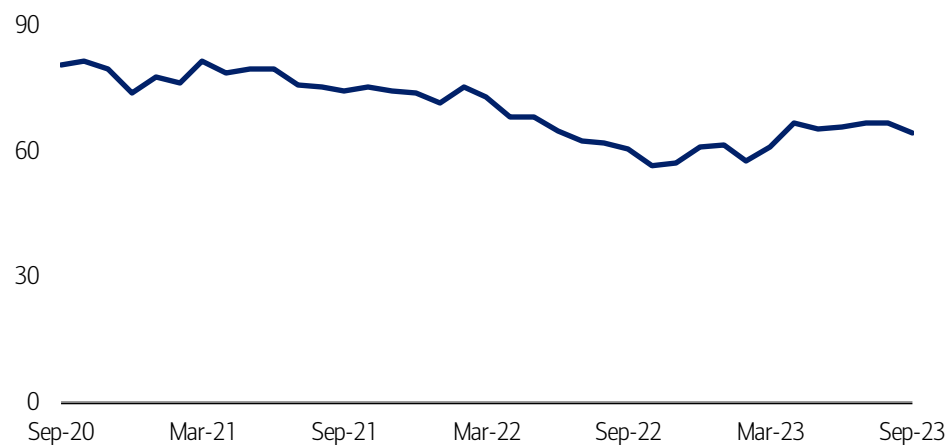
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### HPSI index down MoM in September

Home purchase sentiment index (HPSI), as measured by Fannie Mae, decreased MoM to 64.5 in September. High mortgage rates surpassed high home prices as the top reason why consumers think it's a bad time to buy a home, and only 17% of consumers indicated they expected mortgage rates to go down over the next 12 months. The full index is up 3.7 points year over year.

#### Exhibit 10: Fannie Mae home purchase sentiment index

Home purchase sentiment fell 2.4 points to 64.5 in September



Source: Fannie Mae HPSI

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