

Homebuilders

Housing starts surprise to upside; we now expect >1mm single-family starts in 2024

Industry Overview

Housing starts up MoM and YoY in November

November 2023 housing starts pace (seasonally adjusted annualized rate) increased to 1.56mm, compared to October starts of 1.36mm (+14.8% MoM) and 1.43mm in November 2022 (+9.3% YoY). Single family starts SAAR increased +18% MoM and +42% YoY, and multifamily (MF) starts increased +6.9% MoM but decreased (33%) YoY.

Outlook: expect strong SF growth and deteriorating MF

We now expect single-family housing starts to increase 25% YoY in 4Q23 against a depressed base from last year (4Q22 SF starts declined -27% YoY), which would bring 2023 single-family starts to 941k (down 6% YoY, above prior outlook of 922k). In 2024, we expect single-family housing starts to increase 8% YoY to 1.03mm (previously 975k). For total housing starts in 2024, we expect starts to decline (3.3%) YoY to 1.36mm with ~28% decline in multi-family starts offsetting the increase in single-family starts.

Housing permits rose 4.1% YoY, but fell (2.5%) MoM

November 2023 housing permits (SAAR) decreased to 1.46mm compared to 1.50mm in October 2023 (-2.5% MoM and +4.1% YoY). Single-family permits rose 0.7% MoM and 22.8% YoY, and Multifamily permits fell (8.5%) MoM and (20.3%) YoY.

Mortgage purchase applications still down YoY

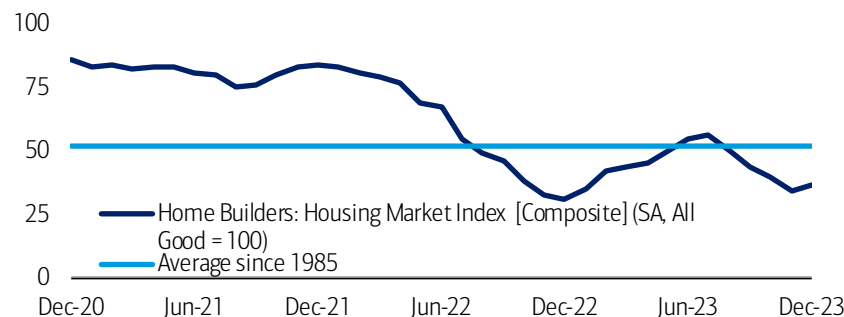
Mortgage Bankers Association (MBA) purchase applications index (seasonally adjusted) declined (18.0%) YoY last week. Mortgage applications of new and existing home purchases are running near 30-year lows due to lock-in effect of high mortgage rates.

NAHB confidence improves off recent trough

Homebuilder confidence, as measured by National Association of Home Builders (NAHB) Index, rose three points to 37 in December. We believe the recent decline mortgage rates in late November and early December contributed to the sequential improvement in builder confidence.

Exhibit 1: NAHB Homebuilder sentiment index

Homebuilder sentiment rose to 37 in December, but still a negative view of the current market



Source: National Association of Home Builders

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20 December 2023

Equity
United States
Homebuilders

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SF: Single family

MF: Multi-family

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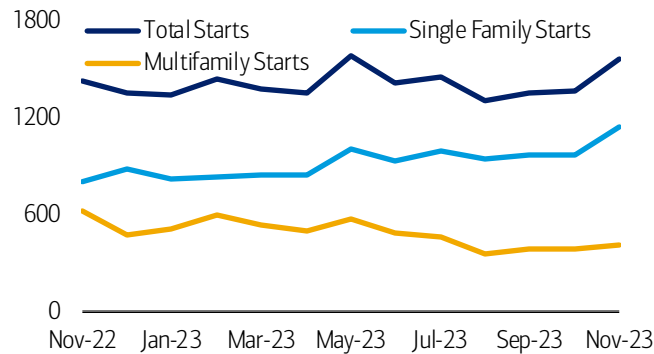
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November housing starts up 9% YoY and up 15% MoM

November 2023 housing starts pace (seasonally adjusted annualized rate) increased to 1.56mm, compared to October starts of 1.36mm (+14.8% MoM) and 1.43mm in November 2022 (+9.3% YoY). Single family starts SAAR increased MoM and YoY (+18.0% MoM, +42.2% YoY). Multifamily (MF) starts increased MoM and decreased on YoY basis (+6.9% MoM, -33.1% YoY). By region: Northeast (+100.0% MoM, +67.4% YoY), South (+16.3% MoM, +13.4% YoY), West (+2.1% MoM, -1.7% YoY), and Midwest (+1.4% MoM, -7.9% YoY)

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

November single family +18.0% MoM, multifamily +6.9% MoM

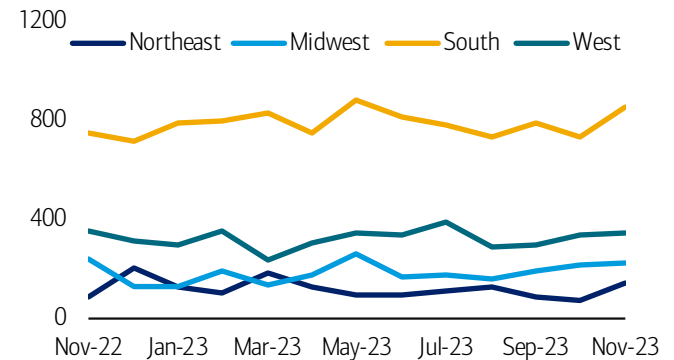


Source: Haver Analytics

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

Northeast region outperformed MoM and YoY

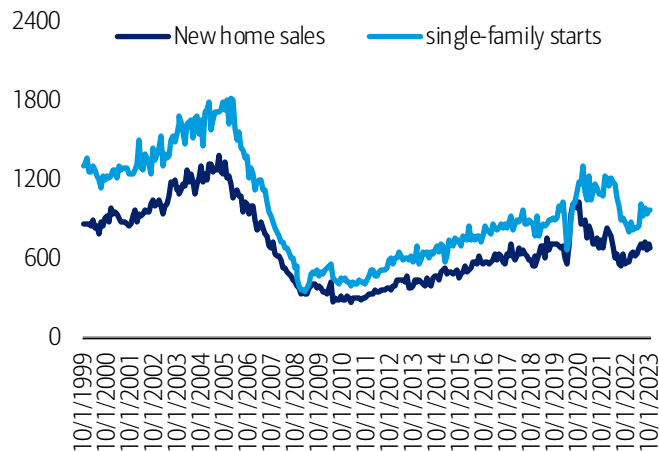


Source: Haver Analytics

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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 October 2023

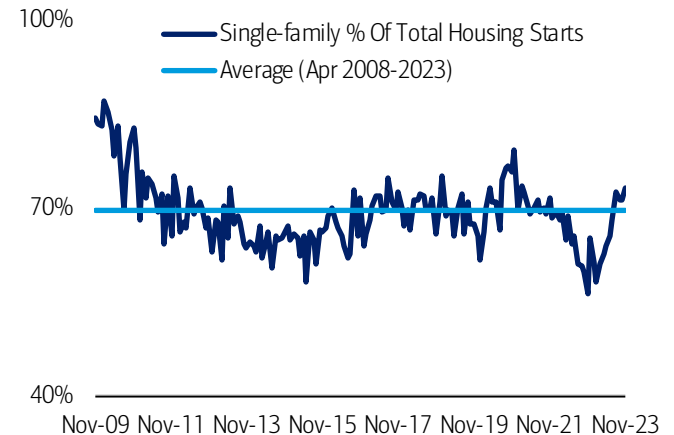


Source: Haver Analytics. October is the latest data point (New home sales)

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

Single-family represents 73% of total housing starts in Nov 2023. Average (2008-2023) is 70%



Source: Haver Analytics

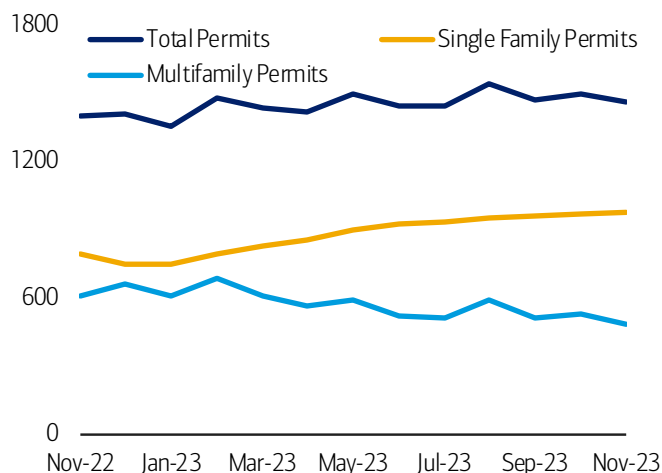
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Exhibit 6: US Building Permits (SAAR; 1,000s units)

November multifamily -8.5% MoM, single-family +0.7% MoM

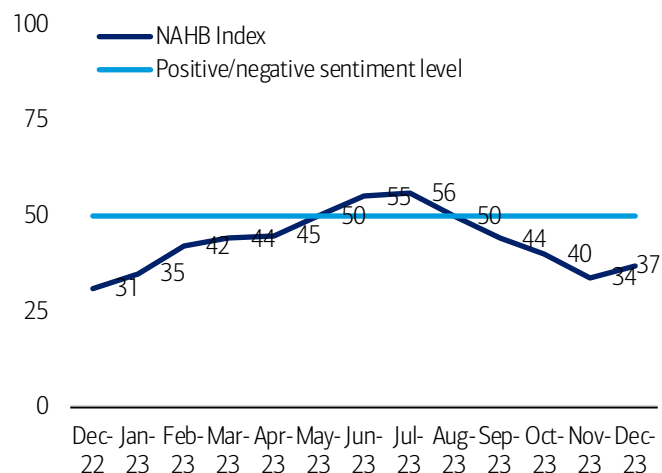


Source: Haver Analytics

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Exhibit 7: NAHB Homebuilder sentiment index

Builder sentiment rose to 37 in December



Source: National Association of Home Builders

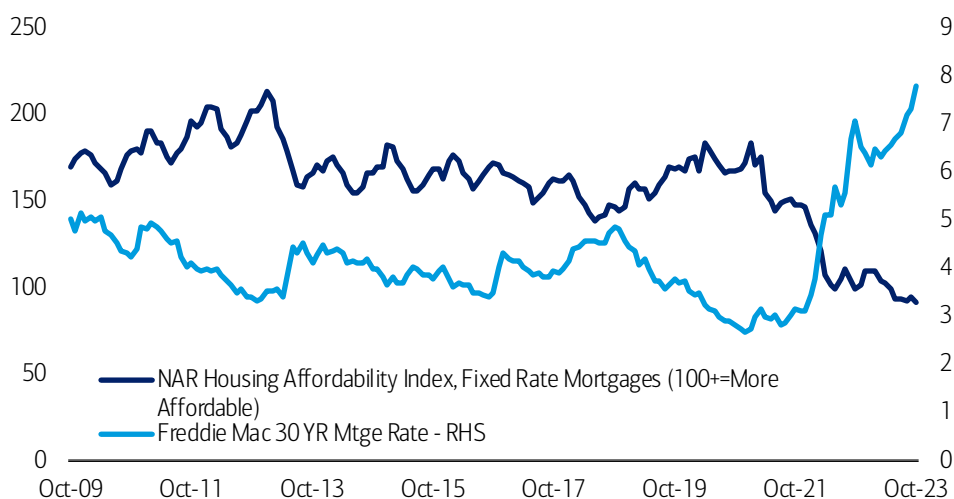
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Housing affordability down MoM and YoY in October

Mortgage rates peaked in October at 7.79%, causing the affordability index to fall further. The National Association of Realtors (NAR) affordability index was down (7.7%) YoY in October, and down (3.3%) MoM.

Exhibit 8: Affordability vs Freddie Mac 30 YR mortgage Rate

Affordability still down (7.7%) YoY and down (3.3%) MoM in October when mortgage rates peaked



Source: Haver Analytics

Note: most recent affordability as of October

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MBA purchase index increased 3.5% 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 3.5% to 149.6 during the week ended December 8th but was down (18.1%) on a YoY basis.

Exhibit 9: Mortgage Bankers Association Purchase Index

MBA Purchase Index down (18.1%) YoY



Source: Haver Analytics
Data through December 8, 2023

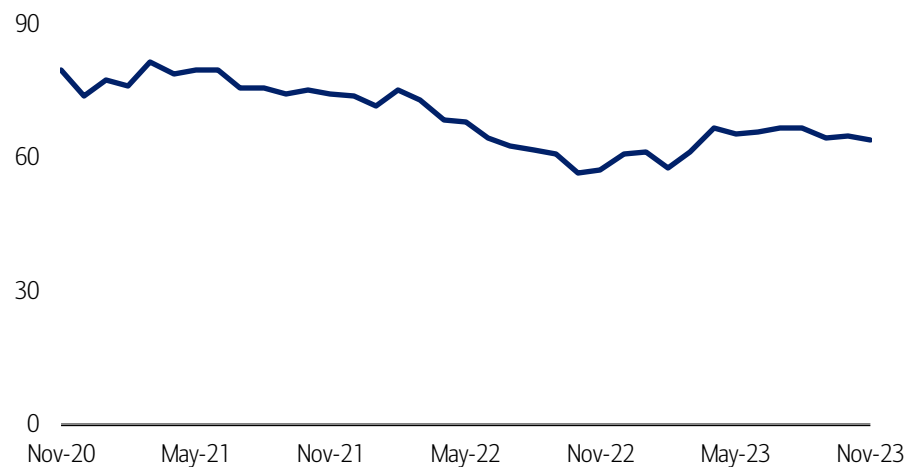
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HPSI index largely flat MoM in November

Home purchase sentiment index (HPSI), as measured by Fannie Mae, slightly decreased MoM to 64.3 in November. Most respondents continue to expect both home prices and mortgage rates to increase over the next 12 months, and only 14% of consumers believe it's a good time to buy a home, a new survey low. The full index is up 7.0 points year over year.

Exhibit 10: Fannie Mae home purchase sentiment index

Home purchase sentiment declined 0.6 points to 64.3 in November



Source: Fannie Mae HPSI

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