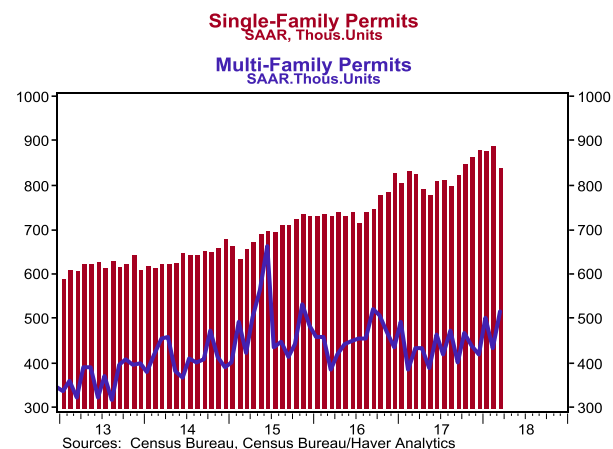
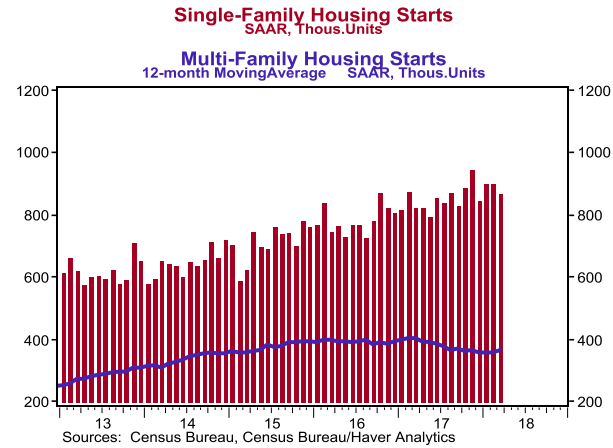


March Housing Starts

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- Housing starts increased 1.9% in March to a 1.319 million annual rate, easily beating the consensus expected 1.267 million. Starts are up 10.9% versus a year ago.
- The gain in starts in March was entirely due to multi-unit starts. Single-family starts fell 3.7% in March. In the past year, single-family starts are up 5.2% while multi-unit starts are up 23.8%.
- Starts in March rose in the Midwest and Northeast, but fell in the West and South.
- New building permits rose 2.5% in March to a 1.354 million annual rate, beating the consensus expected 1.321 million. Compared to a year ago, permits for single-family units are up 1.7% while permits for multi-family homes are up 18.4%.



Implications: Housing starts rose much more than expected in March to eke out a gain after falling in February. Starts rose 1.9% in March to a 1.319 million annual rate, and are now up 10.9% from a year ago. However, today’s positive number came exclusively from the very volatile multi-unit sector, which can’t be relied on for consistent growth. In fact, all the growth in housing starts in Q1 came from multi-unit starts, which are up 18.4% versus the Q4 2017 average while single family starts are down 0.5% over that period. That said, single family starts are still up 5.2% versus a year ago, and continue to be the main driver of trend growth, as the chart to the right shows. Look for single-family starts to bounce back in the months ahead. A transition to more growth in single-family construction than multi-family will be good news for the overall economy. On average, each single-family home contributes to GDP about twice the amount of a multi-family unit. Even though permits for new single-family construction fell 5.5% in March, the horizon continues to look bright for future activity. Single-family permits are still up 1.7% from a year ago, while the number of single-family units currently under construction are at the highest pace since the last recession. As these projects are completed it will free up developers to start new ones which will show up in the headline numbers. Notably, the gain in the past twelve months has happened despite a significant uptick in mortgage rates, which some analysts claimed would derail the housing recovery. Based on population growth and “scrappage,” housing starts should eventually rise to about 1.5 million units per year. And the longer this process takes, the more room the housing market will have to eventually overshoot the 1.5 million mark. Although tax reform trimmed the principal limit against which borrowers can take a mortgage interest deduction to \$750,000 versus the prior amount of \$1 million, the law only affects new mortgages. Large reductions to marginal tax rates in the early 1980s, which reduced the value of the mortgage interest deduction, coincided with a rebound in housing. In other words, we don’t expect the changes in the deduction to cause problems for the housing industry at the national level, although we do expect some shift in building toward regions with lower taxes and land prices.

Housing Starts SAAR, thousands	Monthly % Ch.	Mar-18 Level	Feb-18 Level	Jan-18 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	1.9%	1319	1295	1339	1318	1287	10.9%
Northeast	0.8%	132	131	115	126	117	13.8%
Midwest	22.4%	180	147	145	157	170	29.5%
South	-0.6%	621	625	694	647	637	-1.9%
West	-1.5%	386	392	385	388	362	28.2%
Single-Unit Starts	-3.7%	867	900	899	889	891	5.2%
Multi-Unit Starts	14.4%	452	395	440	429	396	23.8%
Building Permits	2.5%	1354	1321	1377	1351	1329	7.5%
Single-Unit Permits	-5.5%	840	889	877	869	867	1.7%

Source: U.S. Census Bureau