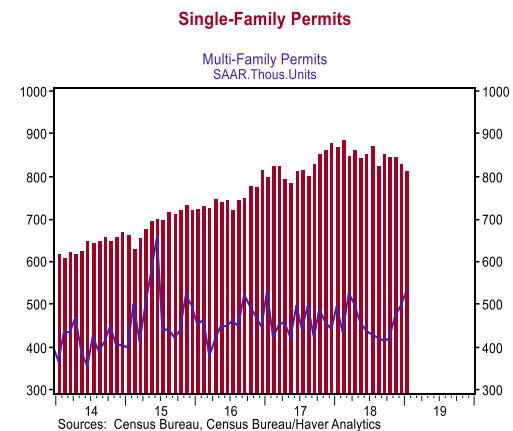
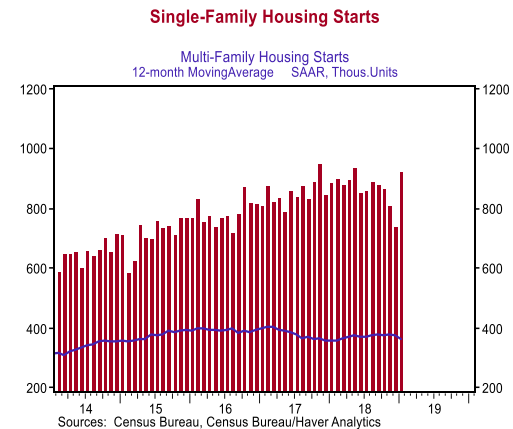


# January Housing Starts

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- Housing starts increased 18.6% in January to a 1.230 million annual rate, beating the consensus expected 1.195 million. Starts are down 7.8% versus a year ago.
- The increase in starts in January was due to both single-family and multi-unit starts. In the past year, single-family starts are up 4.5% while multi-unit starts are down 32.1%.
- Starts in January rose in the Northeast, West and South, but fell in the Midwest.
- New building permits rose 1.4% in January to a 1.345 million annual rate, beating the consensus expected 1.287 million. Compared to a year ago, permits for single-family units are down 6.7% while permits for multi-family homes are up 7.5%.

**Implications:** After ending 2018 on a disappointing note, home building rebounded sharply to start the new year. Housing starts advanced 18.6% in January, the largest monthly gain in over two years. Even more impressive, this was primarily due to a 25.1% surge in single-family construction which was the largest monthly gain for that series since 1979. Moreover, the increase in activity in December was broad-based, with nearly every major region showing a gain and both single-family and multi-unit starts rising. That said, we believe investors should take this report with a grain of salt. As we mentioned in [December’s weak report on housing starts](#), data from the Census Bureau that was delayed by the government shutdown looks to have suffered from some measurement issues. As a result, the surge in January was probably just a return to normal after Census mis-measured on the low side for December. If so, look for a similar pattern with Monday’s report on retail sales, which were reported [down 1.2% for December](#), a number we doubted at the time it was released. At present, the consensus suggests a small decline in retail sales for January; we think it’ll be a 0.2% gain, instead. Today’s numbers on home building are consistent with the relatively moderate weather we saw in January (outside the Midwest) and falling mortgage rates. Further, home completions had the largest monthly gain on record, which should free up builders to start new projects. Although housing starts are down 7.8% from a year ago this is largely due to the effects of the unusually strong hurricane season in 2017, which spurred a surge in building in early 2018. With that in mind, it’s not surprising that January 2019 looks weak by year-ago comparison. The forward-looking data in today’s report show that permits for new construction rose 1.4% in January, though the increase was entirely due to the more volatile multi-family sector. Notably, 203,000 homes were authorized but not yet started in January, the largest amount since 2007. At the same time, the number of units under construction remain at a post-recession high. This points toward builders staying busy in 2019, if they can find the workers. The increasingly tight labor market has made hiring difficult across industries, and construction is no exception, with job openings in that sector at a record high and rising rapidly. Despite recent softness, our outlook on housing hasn’t changed: we anticipate a rising trend in home building in the next few years. Based on fundamentals – population growth and scrappage – the US needs about 1.5 million new housing units per year but hasn’t built at that pace since 2006.



Housing Starts SAAR, thousands	Monthly % Ch.	Jan-19 Level	Dec-18 Level	Nov-18 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
<b>Housing Starts</b>	<b>18.6%</b>	1230	1037	1206	1158	1200	-7.8%
<b>Northeast</b>	<b>58.5%</b>	149	94	110	118	114	28.4%
<b>Midwest</b>	<b>-5.7%</b>	116	123	144	128	155	-20.0%
<b>South</b>	<b>13.8%</b>	700	615	666	660	633	2.3%
<b>West</b>	<b>29.3%</b>	265	205	286	252	298	-31.9%
<b>Single-Unit Starts</b>	<b>25.1%</b>	926	740	808	825	851	4.5%
<b>Multi-Unit Starts</b>	<b>2.4%</b>	304	297	398	333	349	-32.1%
<b>Building Permits</b>	<b>1.4%</b>	1345	1326	1322	1331	1296	-1.5%
<b>Single-Unit Permits</b>	<b>-2.1%</b>	812	829	848	830	836	-6.7%

Source: U.S. Census Bureau