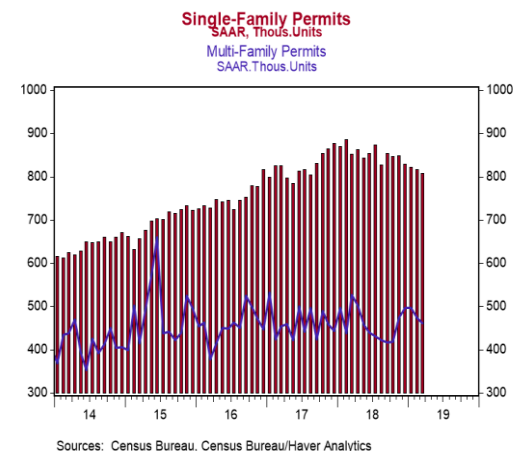
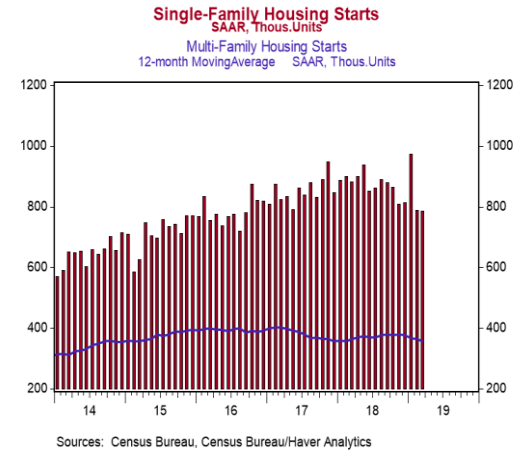


March Housing Starts

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- Housing starts declined 0.3% in March to a 1.139 million annual rate, well below the consensus expected 1.225 million. Starts are down 14.2% versus a year ago.
- The decline in starts in March was entirely due to single-family starts. In the past year, single-family starts are down 11.0% while multi-unit starts are down 20.4%.
- Starts in March fell in the Midwest, South and Northeast, but rose in the West.
- New building permits fell 1.7% in March to a 1.269 million annual rate, below the consensus expected 1.300 million. Compared to a year ago, permits for single-family units are down 7.8% while permits for multi-family homes are down 12.4%.

Implications: Housing starts continued to struggle in March, falling 0.3% as groundbreaking on new units remained at the slowest pace since mid-2017. However, we still believe there is sunshine on the horizon for new construction in the months ahead. There has been a rapidly growing backlog in planned housing projects over the past several months as evidenced by the number of units authorized but not yet started, which hit a post-recession high in January and remained there through March. Backlog concerns were also echoed in the survey responses to March’s ISM manufacturing report, where a wood products industry respondent blamed bad weather for the recent slowdown in activity. That said, it looks like progress to alleviate these problems has already begun, with the number of units under construction falling noticeably over the past couple of months as home completions have surged. This should help free up badly needed workers to start development on new projects. The increasingly tight labor market has made hiring difficult across industries, and construction is no exception, with job openings in that sector remaining elevated. The National Association of Home Builders recently released their survey of top challenges for builders in 2019, and concerns related to the cost and availability of labor were the most prevalent, with 82% of developers surveyed citing them as their biggest challenge in the year ahead. Despite the headwinds from labor, fundamentals for potential buyers have improved markedly over the past several months, with falling mortgage rates and wages that are now growing faster than new home prices boosting affordability and underpinning demand. Although housing starts are down 14.2% from a year ago, this is largely due to the effects of the unusually strong hurricane season in late 2017, which spurred a surge in building in early 2018. With that in mind, it’s not surprising that March 2019 looks weak by year-ago comparison. The forward-looking data in today’s report show that permits for new construction fell 1.7% in March due to weakness in both single and multi-unit authorizations. 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 scragpage – 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.	Mar-19 Level	Feb-19 Level	Jan-19 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-0.3%	1139	1142	1298	1193	1189	-14.2%
Northeast	-4.4%	86	90	146	107	106	-28.3%
Midwest	-17.6%	131	159	142	144	150	-28.0%
South	-7.2%	604	651	715	657	647	-4.1%
West	31.4%	318	242	295	285	286	-19.5%
Single-Unit Starts	-0.4%	785	788	973	849	839	-11.0%
Multi-Unit Starts	0.0%	354	354	325	344	351	-20.4%
Building Permits	-1.7%	1269	1291	1317	1292	1298	-7.8%
Single-Unit Permits	-1.1%	808	817	821	815	828	-5.1%

Source: U.S. Census Bureau