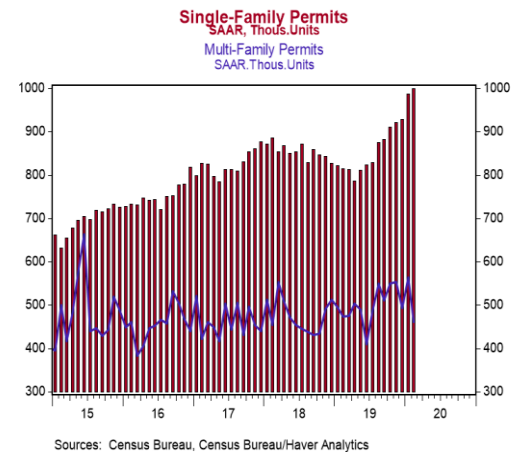
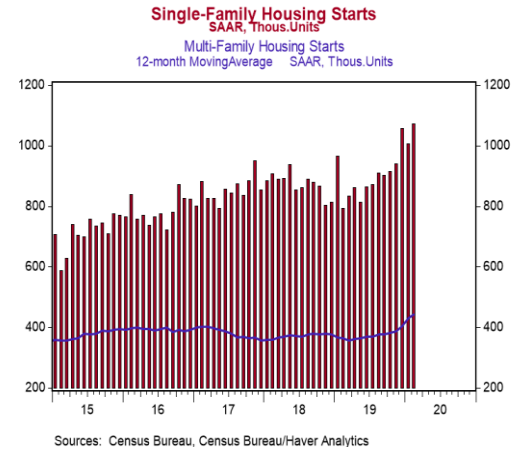


February Housing Starts

Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Elss – Senior Economist

- Housing starts declined 1.5% in February to a 1.599 million annual rate, still easily beating the consensus expected 1.500 million. Starts are up 39.2% versus a year ago.
- The decline in starts in February was due entirely to multi-unit starts. Single-family starts rose in February. In the past year, single-family starts are up 35.4% while multi-unit starts are up 47.6%.
- Starts in February fell in the Northeast and West, but rose in the Midwest and South.
- New building permits declined 5.5% in February to a 1.464 million annual rate, below the consensus expected 1.500 million. Compared to a year ago, permits for single-family units are up 23.3% while permits for multi-family homes are down 2.7%.



Implications: Today’s report signals that the housing sector was on strong footing heading into the Coronavirus Contraction. Although housing starts fell versus January, they came in substantially higher than the consensus expected. In fact, if it wasn’t for the large upward revision to January – which now shows the fastest pace for starts in over thirteen years – February would’ve posted a gain. Further, all of the decline in starts in February was due to the volatile multi-unit sector; single-family starts jumped 6.7% and hit the fastest pace since 2007. Building permits show a similar story, sitting just below January’s post-2007 high due to weakness in multi-unit permits, which fell 14.9% in February. Single-family permits rose 1.7% and are now at a post-recession high. Over the next couple of months there are bound to be disruptions in the housing sector as the coronavirus hits supply chains and public health measures affect construction crews. However, this has yet to be fully reflected in the NAHB index, a measure of sentiment among homebuilders, which fell to 72 in March from 74 in February. It’s important to note that most of the March survey responses were collected before the effects of the Coronavirus started hitting markets, so expect large declines going forward. With mortgage rates having spiked 40bps in the past two weeks due to disruptions in the financial markets, and potential buyers being advised to stay home, activity is sure to take a hit in the short-term. That said, we expect a robust rebound when issues surrounding Coronavirus are resolved.

Housing Starts SAAR, thousands	Monthly % Ch.	Feb-20 Level	Jan-20 Level	Dec-19 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-1.5%	1599	1624	1601	1608	1469	39.2%
Northeast	-41.4%	126	215	142	161	137	41.6%
Midwest	16.7%	210	180	238	209	190	32.1%
South	15.2%	889	772	807	823	766	36.8%
West	-18.2%	374	457	414	415	377	49.0%
Single-Unit Starts	6.7%	1072	1005	1057	1045	982	35.4%
Multi-Unit Starts	-14.9%	527	619	544	563	487	47.6%
Building Permits	-5.5%	1464	1550	1420	1478	1460	13.8%
Single-Unit Permits	1.7%	1004	987	928	973	939	23.3%

Source: U.S. Census Bureau