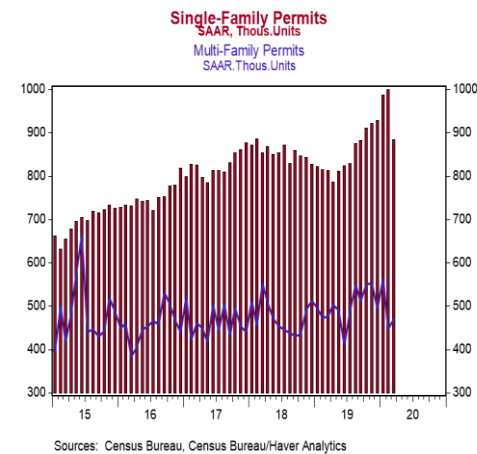
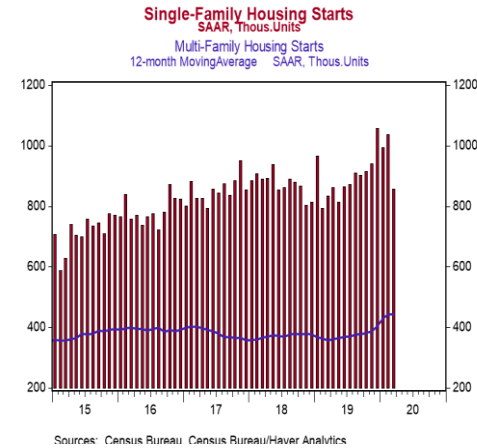


March Housing Starts

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- Housing starts declined 22.3% in March to a 1.216 million annual rate, below the consensus expected 1.300 million. Starts are up 1.4% versus a year ago.
- The decline in starts in March was due to both single-family and multi-unit starts. In the past year, single-family starts are up 2.8% while multi-unit starts are down 1.6%.
- Starts in March fell in every major region.
- New building permits declined 6.8% in March to a 1.353 million annual rate, beating the consensus expected 1.296 million. Compared to a year ago, permits for single-family units are up 8.7% while permits for multi-family homes are down 1.3%.

Implications: Forget about housing starts for a minute. Workers filed 5.25 million new claims for unemployment insurance last week, continuing the trend of catastrophically high readings we’ve seen since government shutdowns of the economy to fight Coronavirus began a month ago. The (semi-)good news is that initial claims fell 1.37 million from the week prior and it looks like initial claims peaked two weeks ago at 6.87 million. Continuing claims, data for which lag initial claims by one week, hit a record high of 11.98 million and are likely to rise again in next week’s report. In the past three weeks, the share of workers covered by the unemployment insurance system who are getting benefits has increased to 8.2% from record low of 1.2%. To put that 8.2% in perspective, the highest level in the past 50 years was 7.0% in 1975. The peak at the end of the 1981-82 recession was 5.4%; the peak at the end of the 2007-09 recession was 5.0%. And there are still two more weeks ahead of increasing continuing claims before we get to the week that included the Labor Department survey for the official unemployment rate for the month. As a result, the jobless rate for April will almost certainly be above 10% and even a 15%+ rate is possible. Switching focus to the housing sector, housing starts posted the largest monthly drop since 1984 as uncertainty surrounding future buyer demand, supply chain disruptions, and social distancing measures for work crews led to a fall in building activity. The large headline drop was caused by declines in both single-family and multi-unit construction. Keep in mind, only the second half of March was heavily affected by the Coronavirus, so in the months ahead the data are likely to get even worse. That said, residential construction has been classified as “essential” in most areas of the country, so crews are still able to work. Because of this we expect the housing sector to weather the current economic contraction better than most. Speaking of the future, permits for new construction fell 6.8%, driven entirely by a 12% drop in permits for single-family homes. Surprisingly, multi-family permits rose 4.9% in March. Going forward, look for continued weakness in the short-term followed by a robust rebound in construction when issues surrounding Coronavirus are resolved. Based on fundamentals like population growth and scraggage, the US needs to build about 1.5 million new housing units a year, a level that was only briefly reached before the pandemic hit our shores. In other news this morning, the Philly Fed Index, a measure of East Coast factory sentiment, plunged to -56.6 in April from -12.7 in March. This is the lowest reading since 1980 and echoes a recent decline in the Empire State Index, as the effects of Coronavirus make their way into the data.



Housing Starts SAAR, thousands	Monthly % Ch.	Mar-20 Level	Feb-20 Level	Jan-20 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-22.3%	1216	1564	1619	1466	1454	1.4%
Northeast	-42.5%	69	120	217	135	128	-16.9%
Midwest	-21.5%	153	195	173	174	185	15.9%
South	-21.3%	693	881	793	789	769	5.8%
West	-18.2%	301	368	436	368	371	-8.5%
Single-Unit Starts	-17.5%	856	1037	992	962	966	2.8%
Multi-Unit Starts	-31.7%	360	527	627	505	488	-1.6%
Building Permits	-6.8%	1353	1452	1550	1452	1452	5.0%
Single-Unit Permits	-12.0%	884	1005	987	959	939	8.7%

Source: U.S. Census Bureau