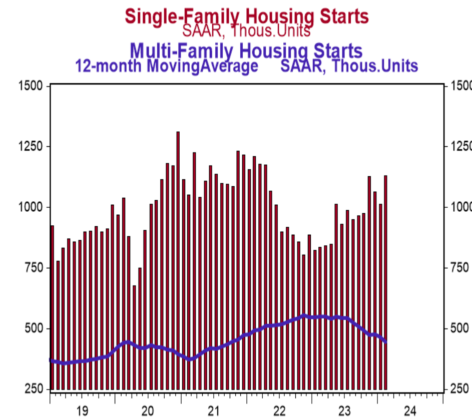
First Trust DATAWATCH

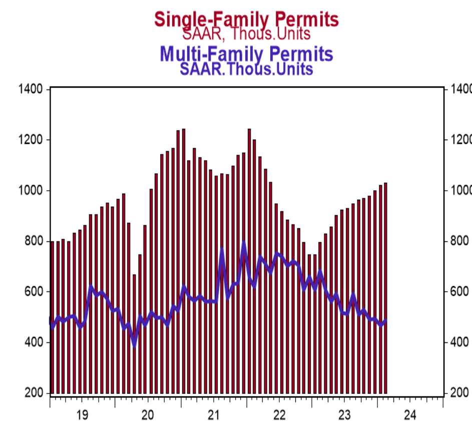
March 19, 2024 • 630.517.7756 • www.ftportfolios.com

February Housing Starts

Nate Gerze – Economic Analyst
Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist

- Housing starts increased 10.7% in February to a 1.521 million annual rate, easily beating the consensus expected 1.440 million. Starts are up 5.9% versus a year ago.
- The rise in February was due to both single and multi-family starts. Single family starts rose 11.6% in February while multi-unit starts increased 8.3%. In the past year, single-family starts are up 35.2% while multi-unit starts are down 34.8%.
- Starts in February rose in the South and Midwest, but fell in the West and Northeast.
- New building permits increased 1.9% in February to a 1.518 million annual rate, above the consensus expected 1.496 million. Compared to a year ago, permits for single-family homes are up 29.5% while permits for multi-unit homes are down 29.0%.





Sources: Census Bureau, Census Bureau/Haver Analytics

Implications: Good news all around on home building in February, although some one-off factors probably juiced the report. Home building surged back in February after dropping in January, crushing consensus expectations, while previous months' activity was revised higher, as well. Home completions also soared, rising 19.7% to a 1.729 million annual rate: the highest level since the beginning of 2007. Meanwhile, building permits rose a solid 1.9% and beat consensus expectations. It's important to note a couple one-off factors that could be influencing this blowout report. First, February included Leap Day, meaning builders had one more day than usual. If this was not accounted for in the seasonal adjustment (and it looks like it was not) then that would have made activity look stronger than it really was. Second, the weather was milder in February versus normal temperatures, which likely helped activity. While the data have been very choppy of late, it appears developers have finally found their footing in what has been a challenging environment for sales. Case in point, housing starts are up 16.6% from the bottom last August. That said, they are still below December's level, and 15.6% off the peak in April 2022 (the month after the Fed began their current tightening cycle). Another recent theme is the split between single-family and multi-family development. Over the past year, the number of single-family starts is up 35.2% while multi-unit starts are down 34.8%. Permits for single-family homes are up 29.5% while multi-unit home permits are down 29.0%. This huge gap in the data is due to the unprecedented nature of the last four years since COVID began. With 30-year mortgage rates still hovering near multi-decade highs, the mortgage lock-in phenomenon for homeowners is real, which has limited the supply of homes on the market and forced homebuyers to look to new builds as their best option. That is why the best news in today's report for homebuyers was that fresh supply is on the way, as home completions rose to the fastest rate since 2007. While we don't see housing as a major driver of economic growth in the near term, we don't expect a housing bust like the 2000s on the way, either. As the Fed eventually begins to cut rates, mortgage rates should trend lower as well, helping support housing later in 2024. In other housing news, the NAHB Housing Index, a measure of homebuilder sentiment, rose to 51 in March from 48 in February. This is the fourth gain in a row and the first time the index is above 50 since last Summer, signaling that a greater number of builders view conditions as good versus poor.

Housing Starts *SAAR, thousands*	**Monthly** *% Ch.*	**Feb-24** *Level*	**Jan-24** *Level*	**Dec-23** *Level*	**3-mth** *moving avg*	**6-mth** *moving avg*	**Yr to Yr** *% Change*
Housing Starts	**10.7%**	1521	1374	1566	1487	1451	5.9%
Northeast	**-10.3%**	122	136	128	129	113	16.2%
Midwest	**50.7%**	202	134	204	180	192	8.0%
South	**15.7%**	883	763	851	832	805	11.5%
West	**-7.9%**	314	341	383	346	341	-10.8%
Single-Unit Starts	**11.6%**	1129	1012	1064	1068	1045	35.2%
Multi-Unit Starts	**8.3%**	392	362	502	419	406	-34.8%
Building Permits	**1.9%**	1518	1489	1493	1500	1489	2.4%
Single-Unit Permits	**1.0%**	1031	1021	999	1017	993	29.5%

Source: U.S. Census Bureau