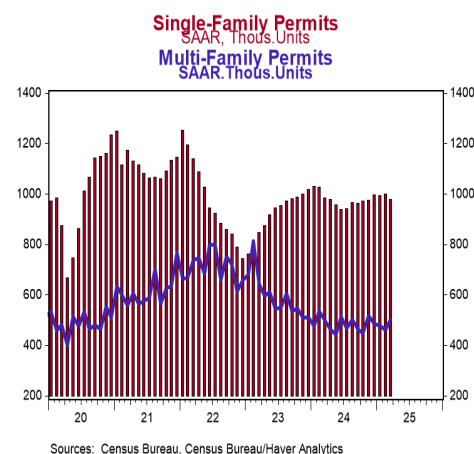
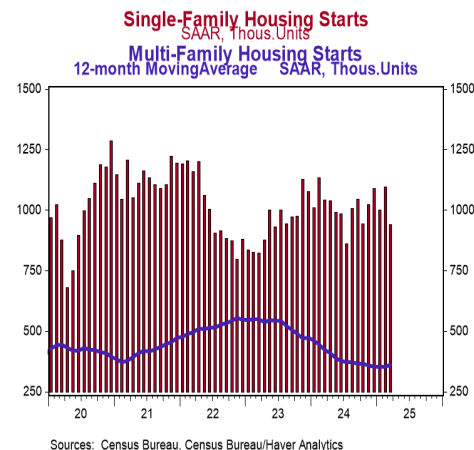


March Housing Starts

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- Housing starts declined 11.4% in March to a 1.324 million annual rate, widely lagging the consensus expected 1.420 million. Starts are up 1.9% versus a year ago.
- The drop in March was due to both single-family and multi-family starts. In the past year, single-family starts are down 9.7% while multi-unit starts are up 48.8%.
- Starts in March fell in the South and West but rose in the Midwest and Northeast.
- New building permits rose 1.6% in March to a 1.482 million annual rate, beating the consensus expected 1.450 million. Compared to a year ago, permits for single-family homes are down 0.6% while permits for multi-unit homes are up 0.6%.

Implications: US homebuilding continues to whipsaw as builders deal with all sorts of headwinds, tailwinds, and crosswinds. After unusually cold weather and California fires held back homebuilding in January, new home construction rebounded sharply in February, topping even the most optimistic forecast from any economics group surveyed by Bloomberg. Then in March, homebuilding contracted by the most in a year, falling 11.4% to a level even lower than the weather-constrained month of January. Already hamstrung by high home prices and relatively high mortgage rates, builders must now contend with the uncertainty of new tariffs and how they’ll impact their building costs. Looking at the details, single-family construction led the decline, falling 14.2%, the biggest decline for the category since the COVID lockdown. The overall drop was split amongst regions, with the South and West responsible for the entirety of the decline (homebuilding in the Midwest and Northeast rose in March). Looking at the trend, home construction has stagnated in recent years, with starts down 1.3% compared to two years ago and hovering around levels reminiscent of 2019. That said, it appears that part of the reason why homebuilding has lagged is due to builders focusing on completing projects. Home completions declined 2.1% in March, but the 1.549 million annual pace was faster than all but two months from 2020-2023. Moreover, completions have run above a 1.5 million pace (our estimation of annual homes needed to keep up with population growth and scrappage) in eleven out of the last twelve months. With strong completion activity and tepid growth in starts, the total number of homes under construction continues to fall, down 15.2% in the past year. That type of decline is usually associated with a housing bust, but we don’t see that happening. With the brief exception of COVID, the US has consistently started too few homes almost every year since 2007. As a result of the shortage of homes, we think housing is far from a bubble and expect housing prices to continue higher in 2025 in spite of some broader economic headwinds. In other recent housing news, the NAHB Housing Index (a measure of homebuilder sentiment) ticked up to 40 in April from 39 in March. On the employment front, initial jobless claims fell 9,000 last week to 215,000, while continuing claims rose 41,000 to 1.885 million. These figures suggest moderate job growth in April. Finally, the Philadelphia Fed Manufacturing Index, a measure of factory sentiment in that region, dropped -26.4 in April from 12.5 in March.



Housing Starts SAAR, thousands	Monthly % Ch.	Mar-25 Level	Feb-25 Level	Jan-25 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-11.4%	1324	1494	1361	1393	1392	1.9%
Northeast	1.4%	140	138	95	124	126	45.8%
Midwest	76.2%	222	126	182	177	193	44.2%
South	-17.1%	673	812	697	727	743	-8.1%
West	-30.9%	289	418	387	365	331	-8.8%
Single-Unit Starts	-14.2%	940	1096	1001	1012	1015	-9.7%
Multi-Unit Starts	-3.5%	384	398	360	381	377	48.8%
Building Permits	1.6%	1482	1459	1473	1471	1468	-0.2%
Single-Unit Permits	-2.0%	978	998	994	990	986	-0.6%

Source: U.S. Census Bureau