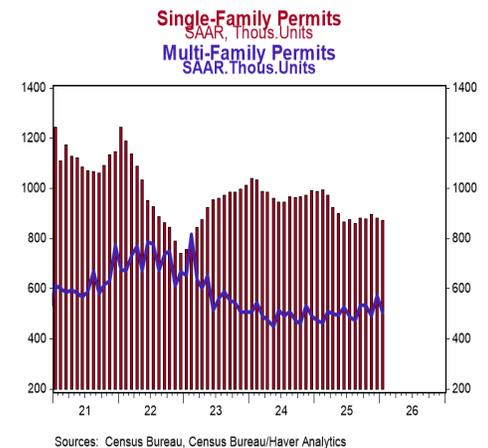
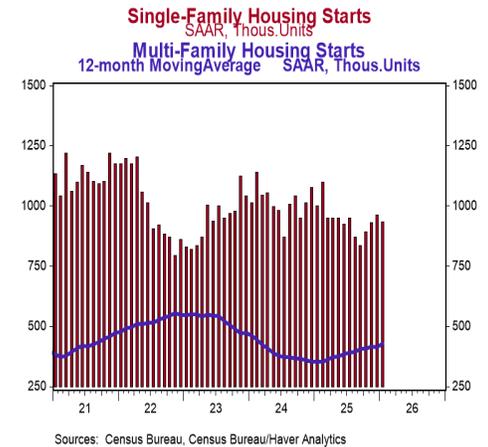


# January Housing Starts

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- Housing starts rose 7.2% in January to a 1.487 million annual rate, beating the consensus expected 1.341 million. Starts are up 9.5% versus a year ago.
- The gain in January was entirely due to multi-unit starts. Single-family starts declined in January. In the past year, single-family starts are down 6.5% while multi-unit starts are up 54.2%.
- Starts in January rose in the South and Northeast, but fell in the West and Midwest.
- New building permits declined 5.4% in January to a 1.376 million annual rate, lagging the consensus expected 1.410 million. Compared to a year ago, permits for single-family homes are down 11.6% while permits for multi-unit homes are up 6.6%.



**Implications:** Flashy headline, but the details offer little reason to get excited. Homebuilding surprised to the upside for the second month in a row in January, as housing starts beat even the most optimistic forecast of any economics group surveyed by Bloomberg, rising 7.2% to an eleven-month high. However, the gain was entirely due to the volatile multi-unit category, where starts jumped 29.9% for the month and are up 54.2% in the past year. Single-family starts, on the other hand, declined 2.8% in January and remain 6.5% lower than they were a year ago. Further down the pipeline, permits for new builds fell 5.4% to a 1.376 million annual rate, lagging consensus expectations. Both the single-family and multi-unit categories contributed to the decline, but the split between the two is evident here as well: multi-unit permits are up 6.6% over the past year, while single-family permits are down 11.6%. One way homebuilders have been able to combat sluggish activity is by focusing their efforts on completing projects. That was the case again in January, as completions rose 4.8% to a 1.527 million annual rate. Completions are 7.5% lower than they were a year ago, but despite the slower trend, they have outpaced starts and permits in ten out of the last twelve months. With strong completion activity and tepid growth in starts, the total number of homes under construction has fallen 9.6% in the last twelve months. In the past, like in the early 1990s and mid-2000s, this type of decline was associated with a housing bust and falling home prices. But with the brief exception of COVID, the US has consistently started too few homes almost every year since 2007. So, while multiple headwinds may hold back housing starts – such as high home prices, tariffs that raise building costs, restrictive local building regulations, new immigration enforcement that makes it difficult to find or replace workers, and nearly the largest completed single-family home inventory since 2009 – a lack of construction since the last housing bust should keep national average home prices elevated. The encouraging news is that affordability has shown some signs of improvement, with the average 30-year fixed mortgage rate falling to 6.21% in January, the lowest level since August 2022. Unfortunately, the outlook for interest rates going forward has become murkier recently given the outbreak of war with Iran, and affordability remains a major challenge for millions of would-be homebuyers as rates are still roughly double what they were for much of 2021. All of this suggests homebuilding should continue to drag, particularly in next month’s report, as large parts of the U.S. were hit with abnormally snowy weather in February.

Housing Starts SAAR, thousands	Monthly % Ch.	Jan-26 Level	Dec-25 Level	Nov-25 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
<b>Housing Starts</b>	<b>7.2%</b>	1487	1387	1324	1399	1348	9.5%
<b>Northeast</b>	<b>47.4%</b>	196	133	154	161	149	108.5%
<b>Midwest</b>	<b>-10.8%</b>	174	195	169	179	193	-2.8%
<b>South</b>	<b>11.4%</b>	810	727	748	762	711	16.0%
<b>West</b>	<b>-7.5%</b>	307	332	253	297	295	-20.7%
<b>Single-Unit Starts</b>	<b>-2.8%</b>	935	962	931	943	905	-6.5%
<b>Multi-Unit Starts</b>	<b>29.9%</b>	552	425	393	457	444	54.2%
<b>Building Permits</b>	<b>-5.4%</b>	1376	1455	1388	1406	1396	-5.8%
<b>Single-Unit Permits</b>	<b>-0.9%</b>	873	881	896	883	878	-11.6%

Source: U.S. Census Bureau