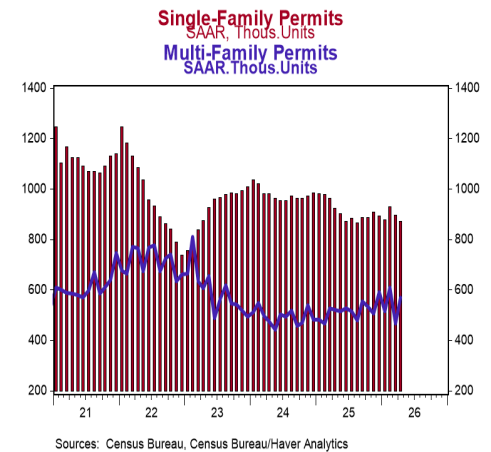
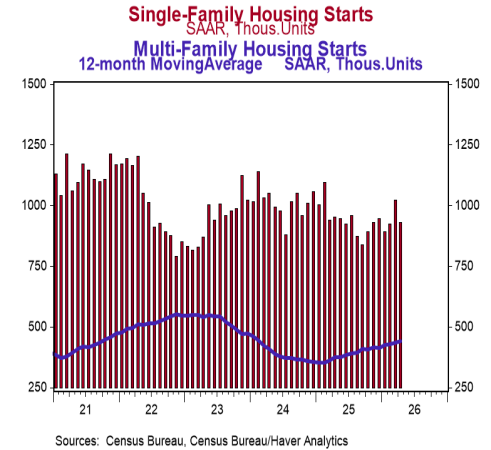


April Housing Starts

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

- Housing starts declined 2.8% in April to a 1.465 million annual rate, beating the consensus expected 1.410 million. Starts are up 4.6% versus a year ago.
- The decline in April was entirely due to single-family starts. Multi-unit starts rose in April. In the past year, single-family starts are down 2.4% while multi-unit starts are up 19.7%.
- Starts in April rose in the Northeast, West, and Midwest but fell in the South.
- New building permits increased 5.8% in April to a 1.442 million annual rate, beating the consensus expected 1.384 million. Compared to a year ago, permits for single-family homes are down 5.5% while permits for multi-unit homes are up 9.2%.

Implications: Homebuilding came in stronger than expected in April by declining less than the consensus from a spike upward in March. The best news was that the 1.465 million annual rate in April is the fastest pace of construction outside of last month in more than a year. The bad news is that the decline in April was entirely due to single-family homes, which fell 9.0% in April and are down 2.4% in the past year. Overall housing starts are up 4.6% in the past year, but that is entirely due to the volatile multi-unit category, with multi-unit starts up 19.7% in that timeframe. Looking further down the pipeline shows a similar picture. Permits for new builds rose 5.8% in April, beating expectations, but the strength came entirely from a 21.8% jump in the volatile multi-unit category. Single-family permits declined 2.6% in April to an eight-month low, now down 5.5% in the past year. One way homebuilders have been able to combat sluggish activity in recent years is by focusing their efforts on completing projects. Completions rose 4.8% in April to a 1.449 million annual rate but have been slowing of late, down 2.0% in the past twelve months. Despite the slower trend, completions have outpaced starts in eight out of the last twelve months. This has helped push the total number of homes under construction 8.5% lower than they were a year ago. 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, a lack of construction since the last housing bust should keep national average home prices elevated. This continues to be a challenging environment for builders, which can be seen in the NAHB index (a measure of homebuilding sentiment) rising to 37 in May from 34 in April. Keep in mind a reading below 50 signal that a greater number of builders view conditions as poor versus good, now the 25th consecutive month that has been the case. In other housing news, pending home sales, which are contracts on existing homes, rose 1.4% in April, following a 1.7% increase in March, suggesting a rise in existing home sales (counted at closing) in May. On the manufacturing front, the Philadelphia Fed index (a measure of factory sentiment in that region) declined unexpectedly to -0.4 in April from +26.7 in March. Finally, in labor news this morning, initial jobless claims declined 3,000 last week to 209,000, while continuing claims rose 6,000 to 1.782 million. These figures suggest continued job growth in May.



Housing Starts SAAR, thousands	Monthly % Ch.	Apr-26 Level	Mar-26 Level	Feb-26 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-2.8%	1465	1507	1346	1439	1400	4.6%
Northeast	16.1%	180	155	137	157	157	-3.2%
Midwest	2.5%	206	201	190	199	186	-9.6%
South	-11.0%	723	812	733	756	748	-3.2%
West	5.0%	356	339	286	327	309	49.0%
Single-Unit Starts	-9.0%	930	1022	923	958	941	-2.4%
Multi-Unit Starts	10.3%	535	485	423	481	459	19.7%
Building Permits	5.8%	1442	1363	1540	1448	1439	-0.2%
Single-Unit Permits	-2.6%	872	895	929	899	896	-5.5%

Source: U.S. Census Bureau