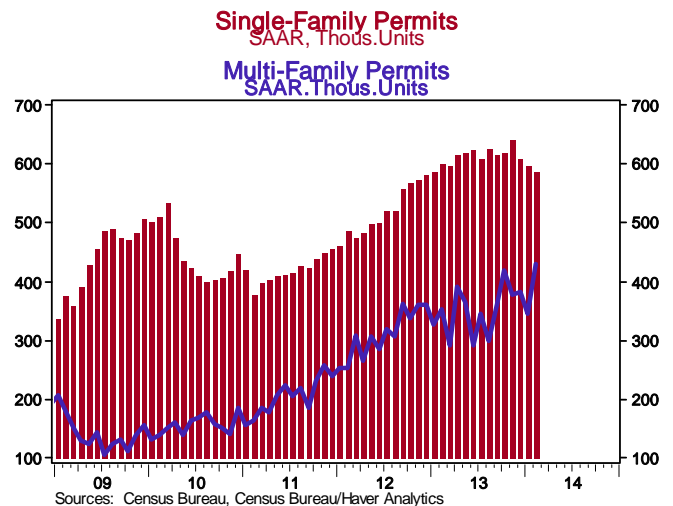
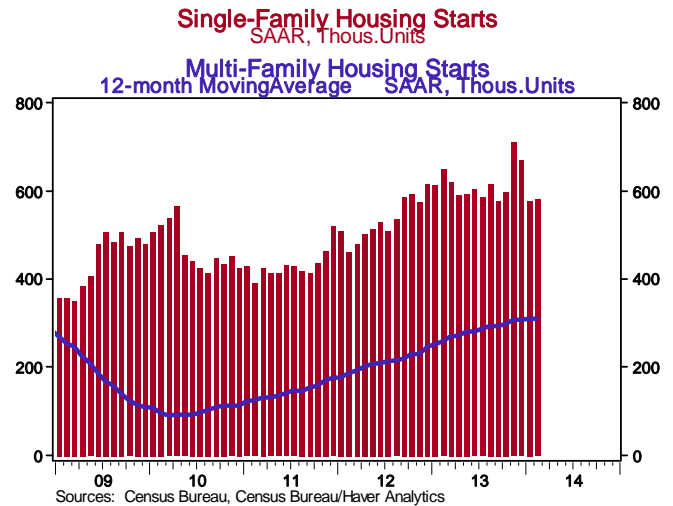


# February Housing Starts

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- Housing starts declined 0.2% in February to 907,000 units at an annual rate, coming in very close to the consensus expected 910,000. Starts are down 6.4% versus a year ago.
- The small drop in starts in February was all due to a 1.2% decline in multi-family units. Single-family starts increased 0.3%. In the past year, single-family starts are down 10.6% while multi-family starts are up 2.2%.
- Starts in February declined in the Northeast and West, but were up in the Midwest and South.
- New building permits increased 7.7% in February to a 1.02 million annual rate, coming in well above the consensus expected 960,000 pace. Compared to a year ago, permits for single-unit are down 2.0% while permits for multi-family homes are up 22.2%.

**Implications:** Housing starts slipped slightly in February, coming in at almost exactly the sluggish level the consensus expected. But other data show that the upward trend in home building that started in 2011 is still intact. When the ground is frozen solid or covered with snow, it's hard to break ground for new construction. Meanwhile, builders can still work inside and have the time to finish already started homes more quickly. So even though housing starts slipped 0.2%, completions surged 4.4% in February and are up 21.9% from a year ago. And builders are getting ready for a busy Spring: building permits spiked 7.7% in February, signaling that home builders are getting ready to increase construction. Although starts are down versus a year ago, we think that reflects harsher winter weather than last year and that year-ago comparisons will turn positive again over the next few months. To smooth out some of the weather-related volatility we look at moving averages, and the 4-month moving average is the highest since July 2008. Meanwhile, the total number of homes under construction, (started, but not yet finished) increased 0.3% in February and are up 23.8% versus a year ago. Some analysts claim the weather is a minor factor and point the finger at mortgage rates for recent weakness. But the US had a bubble in housing in 2003-05 when 30-year mortgage rates averaged 5.8%; today, they're 4.3%. The underlying trend for home building is still upward and should remain in that mode for at least the next couple of years. Based on population growth and "scrappage," housing starts will eventually rise to about 1.5 million units per year (probably by the end of 2015). This is the level of construction that keeps the number of homes stable relative to the US population.



Housing Starts SAAR, thousands	Monthly % Ch.	Feb-14 Level	Jan-14 Level	Dec-13 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
<b>Housing Starts</b>	<b>-0.2%</b>	907	909	1024	947	952	-6.4%
<b>Northeast</b>	<b>-37.5%</b>	75	120	82	92	98	-29.2%
<b>Midwest</b>	<b>34.5%</b>	78	58	153	96	138	-42.2%
<b>South</b>	<b>7.3%</b>	529	493	512	511	489	4.8%
<b>West</b>	<b>-5.5%</b>	225	238	277	247	227	0.9%
<b>Single-Unit Starts</b>	<b>0.3%</b>	583	581	669	611	621	-10.6%
<b>Multi-Unit Starts</b>	<b>-1.2%</b>	324	328	355	336	331	2.2%
<b>Building Permits</b>	<b>7.7%</b>	1018	945	991	985	997	6.9%
<b>Single-Unit Permits</b>	<b>-1.8%</b>	588	599	610	599	612	-2.0%

Source: U.S. Census Bureau