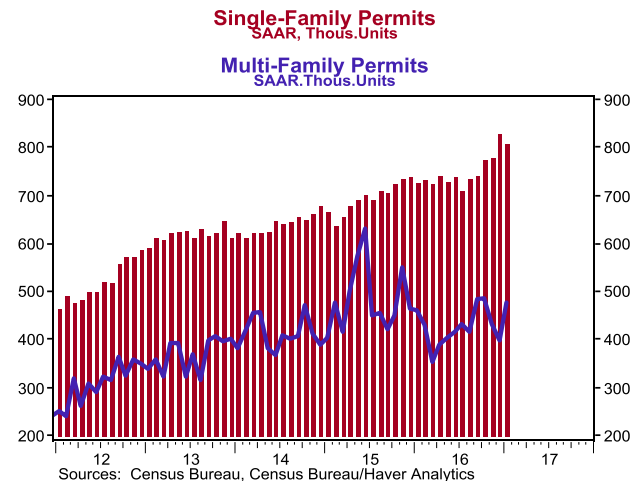
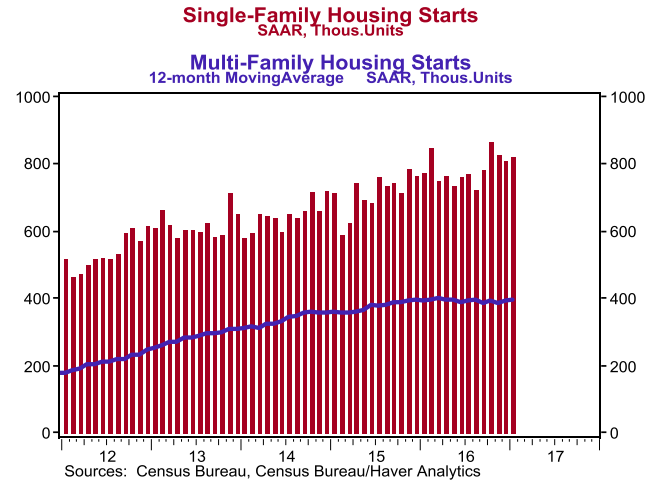


January Housing Starts

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- Housing starts declined 2.6% in January to a 1.246 million annual rate, beating the consensus expected 1.226 million. Starts are up 10.5% versus a year ago.
- The decline in starts in January was entirely due to multi-family units; single-family starts increased. In the past year, single-family starts are up 6.2% while multi-family starts are up 19.8%.
- Starts in January declined in the West and Midwest, but rose in the Northeast and South.
- New building permits rose 4.6% in January to a 1.285 million annual rate, beating the consensus expected 1.230 million. Compared to a year ago, permits for single-family units are up 11.1% while permits for multi-family homes are up 3.5%.

Implications: Housing starts took a breather in January, slipping 2.6%, after a surge in December. However, we think the general upward trend is still intact. Multi-family starts, which are very volatile from month to month, dropped 10.2% in January and accounted for all decline. Meanwhile, single-family starts rose 1.9% in January and are now up 6.2% from a year ago. Permits to build single-family homes, declined 2.7% in January but are up 11.1% from a year ago, supporting the case for a continued increase in the pace of home building. Based on population growth and “scrapage,” housing starts should eventually rise to about 1.5 million units per year, so much of the recovery in home building is still ahead of us. In addition, the “mix” of construction has been generally shifting toward single-family building. When the housing recovery started, multi-family construction led the way. But the *share* of all housing starts that are multi-family appears to have peaked in 2015, when 35.7% of all starts were multi-family, the largest since the mid-1980s, when the last wave of Baby Boomers was growing up and moving to cities. In 2016, the multi-family share of starts fell to 33.3%. The shift in the mix of homes toward single-family is a positive sign because, on average, each single-family home contributes to GDP about twice the amount of a multi-family unit. In other recent housing news, the NAHB index, which measures sentiment among home builders, dropped slightly to a still-high 65 in February. More jobs, faster wage growth, and, for at least the time being, optimism about more market-friendly policies from a Trump Administration, are encouraging both prospective home buyers and builders. More broadly, new claims for jobless benefits rose 5,000 last week to 239,000. Continuing claims slipped 3,000 to 2.08 million. It’s still early, but it looks like nonfarm payrolls will be up close to 200,000 in February. On the manufacturing front, the Philadelphia Fed index, which measures factory sentiment in that region, soared to 43.3 in February from 23.6 in January. The reading for February was the highest since the early 1980s and signals optimism about a major positive shift in economic policies.



Housing Starts SAAR, thousands	Monthly % Ch.	Jan-17 Level	Dec-16 Level	Nov-16 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-2.6%	1246	1279	1149	1225	1202	10.5%
Northeast	55.4%	143	92	83	106	118	-3.4%
Midwest	-17.9%	188	229	214	210	191	21.3%
South	20.0%	690	575	583	616	594	19.2%
West	-41.3%	225	383	269	292	299	-8.5%
Single-Unit Starts	1.9%	823	808	826	819	805	6.2%
Multi-Unit Starts	-10.2%	423	471	323	406	397	19.8%
Building Permits	4.6%	1285	1228	1212	1242	1227	8.2%
Single-Unit Permits	-2.7%	808	830	780	806	778	11.1%

Source: U.S. Census Bureau