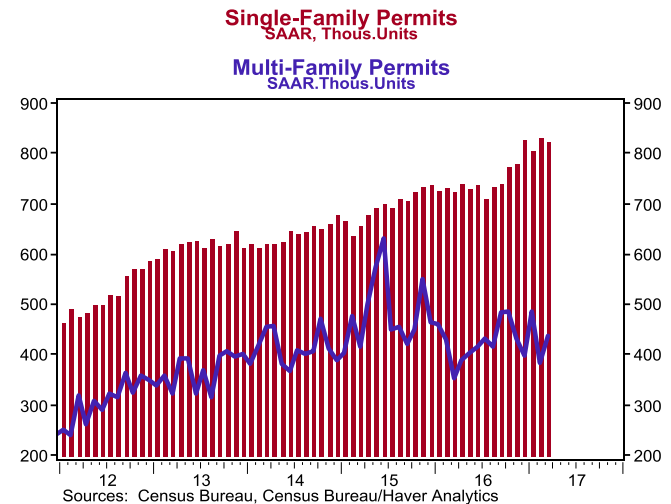
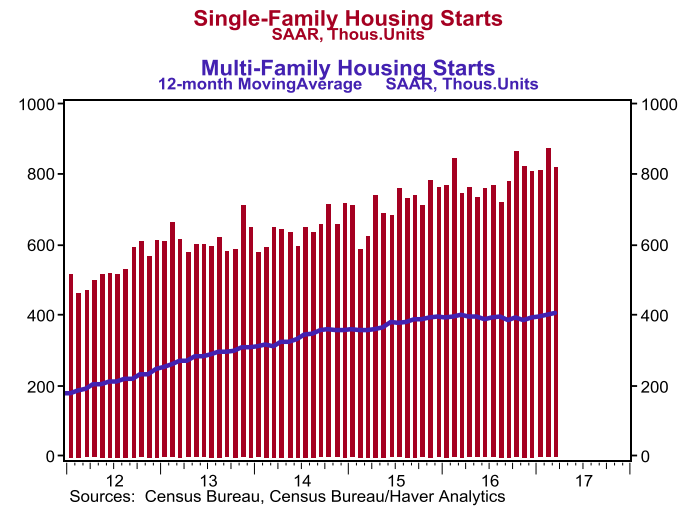


# March Housing Starts

Brian S. Wesbury – Chief Economist  
 Robert Stein, CFA – Dep. Chief Economist  
 Strider Elass – Economist

- Housing starts declined 6.8% in March to a 1.215 million annual rate, coming in below the consensus expected 1.250 million. Starts are up 9.2% versus a year ago.
- The decline in starts in March was due to a drop in both single-family and multi-family starts. In the past year, single-family starts are up 9.3% while multi-family starts are up 8.8%.
- Starts in March fell in the Midwest, West, and South, but rose in the Northeast.
- New building permits rose 3.6% in March to a 1.260 million annual rate, beating the consensus expected 1.250 million. Compared to a year ago, permits for single-family units are up 13.5% while permits for multi-family homes are up 24.1%.

**Implications:** After a strong showing in February, housing starts fell more than expected in March, declining 6.8%, as both single-family and multi-family starts gave up ground. However, this is not the start of a new downward trend in housing. After unusually mild weather in January and February boosted the pace of starts, a return to normal temperatures in March simply brought starts back in line with the trend. Looking at the year-over-year measure to smooth out some of the monthly volatility shows that starts are still up a healthy 9.2%. Based on population growth and “scrappage,” 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. Supporting the case for a continued upward trend, permits for new homes rose 3.6% in March. And although all of the month’s gain was due to a 13.8% jump in the volatile multi-family sector, permits to build single-family homes are still up 13.5% from a year ago. In other words, don’t expect the drop in single-family permits in March to lead to a decline in the future pace of home building. Moreover, like in February, 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 March, the multi-family share of starts fell to 32.4%. The shift toward single-family is a positive sign for the economy 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 to a still-high 68 in April from 71 in March. Expect further strength in the housing sector in the year ahead as more jobs, faster wage growth, and, for at least the time being, optimism about more market-friendly policies from a Trump Administration, continue to encourage both prospective home buyers and builders.



| Housing Starts<br>SAAR, thousands | Monthly<br>% Ch. | Mar-17<br>Level | Feb-17<br>Level | Jan-17<br>Level | 3-mth<br>moving avg | 6-mth<br>moving avg | Yr to Yr<br>% Change |
|-----------------------------------|------------------|-----------------|-----------------|-----------------|---------------------|---------------------|----------------------|
| <b>Housing Starts</b>             | <b>-6.8%</b>     | 1215            | 1303            | 1241            | 1253                | 1251                | 9.2%                 |
| <b>Northeast</b>                  | <b>12.9%</b>     | 131             | 116             | 126             | 124                 | 118                 | -14.9%               |
| <b>Midwest</b>                    | <b>-16.2%</b>    | 155             | 185             | 202             | 181                 | 196                 | -2.5%                |
| <b>South</b>                      | <b>-2.9%</b>     | 645             | 664             | 681             | 663                 | 627                 | 19.4%                |
| <b>West</b>                       | <b>-16.0%</b>    | 284             | 338             | 232             | 285                 | 310                 | 9.2%                 |
| <b>Single-Unit Starts</b>         | <b>-6.2%</b>     | 821             | 875             | 813             | 836                 | 835                 | 9.3%                 |
| <b>Multi-Unit Starts</b>          | <b>-7.9%</b>     | 394             | 428             | 428             | 417                 | 415                 | 8.8%                 |
| <b>Building Permits</b>           | <b>3.6%</b>      | 1260            | 1216            | 1293            | 1256                | 1245                | 17.0%                |
| <b>Single-Unit Permits</b>        | <b>-1.1%</b>     | 823             | 832             | 807             | 821                 | 808                 | 13.5%                |

Source: U.S. Census Bureau