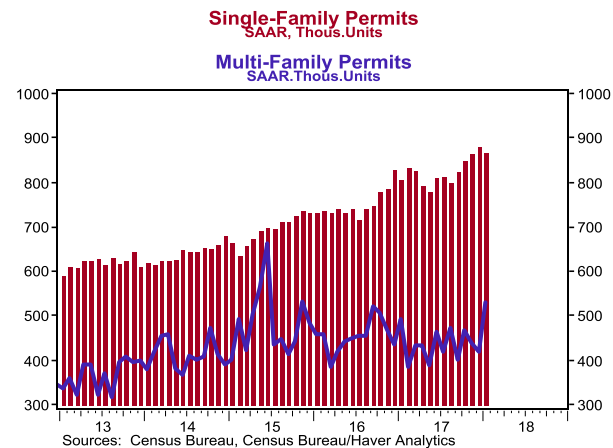
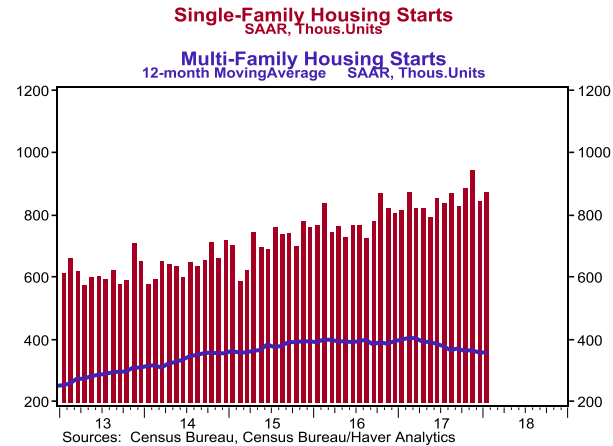


# January Housing Starts

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- Housing starts increased 9.7% in January to a 1.326 million annual rate, easily beating the consensus expected 1.234 million. Starts are up 7.3% versus a year ago.
- The gain in starts in January was mostly due to multi-unit starts, though single-family starts rose as well. In the past year, single-family starts are up 7.6% while multi-unit starts are up 6.7%.
- Starts in January rose in the Northeast, West, and South, but fell in the Midwest.
- New building permits rose 7.4% in January to a 1.396 million annual rate, beating the consensus expected 1.300 million. Compared to a year ago, permits for single-family units are up 7.4% while permits for multi-family homes are up 7.3%.

**Implications:** After posting the best year in a decade in 2017, housing starts surprised to the upside in January, beating even the most optimistic forecast by any economics group. Starts rose 9.7% in January to a 1.326 million annual rate, the second fastest post-recession pace. It is important to note that while single-family starts did rise in January, 74% of the month’s gain was due to the volatile multi-unit sector. But, looking past monthly volatility, single-family starts are still the main driver of trend growth, as the chart to the right shows. The horizon also looks bright for future activity, with permits for new construction, the number of units authorized but not started, and units currently being built all sitting at post-recession highs. Notably, this has all happened despite a significant uptick in mortgage rates in the past year, which some analysts claimed would derail the housing recovery. Based on population growth and “scrappage,” housing starts should eventually rise to about 1.5 million units per year. And the longer this process takes, the more room the housing market will have to eventually overshoot the 1.5 million mark. Although tax reform trimmed the principal limit against which borrowers can take a mortgage interest deduction to \$750,000 versus the current law amount of \$1 million, the law only affects new mortgages. In addition, large reductions to marginal tax rates in the early 1980s, which reduced the value of the mortgage interest deduction, coincided with a rebound in housing. In other words, we don’t expect the changes in the deduction to cause problems for the housing industry at the national level, although we do expect some shift in building toward regions with lower taxes and land prices. In other recent housing news, the NAHB index, which measures homebuilder sentiment, remained unchanged at 72 in February, a historically elevated level signaling strong optimism from developers. On the inflation front, import prices jumped 1% in January while export prices rose 0.8%. In the past year, import prices are up 3.6% while export prices have increased 3.4%, reinforcing other recent data showing a rising trend in inflation.



Housing Starts SAAR, thousands	Monthly % Ch.	Jan-18 Level	Dec-17 Level	Nov-17 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
<b>Housing Starts</b>	<b>9.7%</b>	1326	1209	1299	1278	1238	7.3%
<b>Northeast</b>	<b>45.5%</b>	128	88	93	103	111	2.4%
<b>Midwest</b>	<b>-10.2%</b>	150	167	179	165	176	-25.7%
<b>South</b>	<b>9.3%</b>	655	599	675	643	611	-3.4%
<b>West</b>	<b>10.7%</b>	393	355	352	367	340	70.1%
<b>Single-Unit Starts</b>	<b>3.7%</b>	877	846	946	890	877	7.6%
<b>Multi-Unit Starts</b>	<b>23.7%</b>	449	363	353	388	361	6.7%
<b>Building Permits</b>	<b>7.4%</b>	1396	1300	1303	1333	1302	7.4%
<b>Single-Unit Permits</b>	<b>-1.7%</b>	866	881	865	871	848	7.4%

Source: U.S. Census Bureau