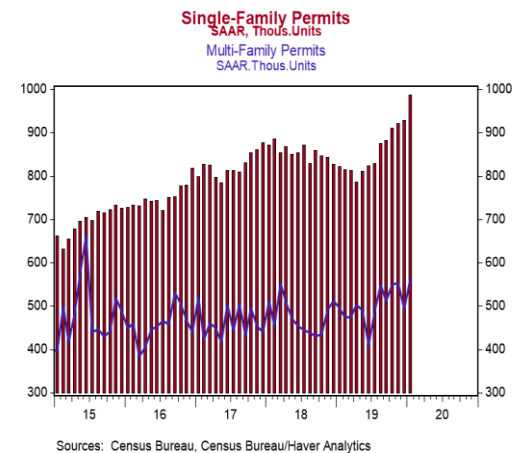
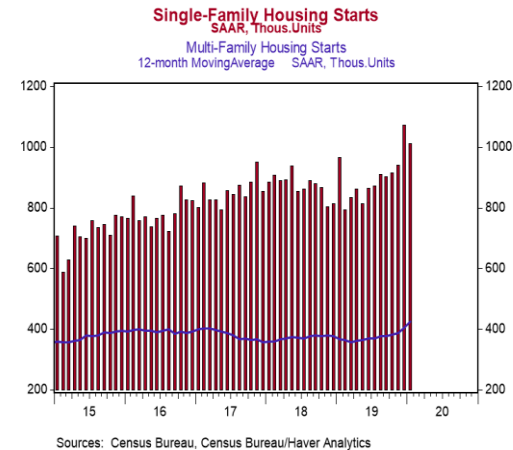


# January Housing Starts

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

- Housing starts declined 3.6% in January to a 1.567 million annual rate, easily beating the consensus expected 1.428 million. Starts are up 21.4% versus a year ago.
- The decline in starts in January was due entirely to single-family starts. Multi-unit starts rose in January. In the past year, single-family starts are up 4.6% while multi-unit starts are up 71.4%.
- Starts in January fell in the Midwest and South, but rose in the Northeast and West.
- New building permits increased 9.2% in January to a 1.551 million annual rate, easily beating the consensus expected 1.450 million. Compared to a year ago, permits for single-family units are up 20.2% while permits for multi-family homes are up 13.9%.



**Implications:** Great news on the housing market in January. Although housing starts fell versus December, they came in substantially higher than the consensus expected. In fact, with the exception of the massive surge in December, the 1.567 million annualized pace of starts in January was the highest since 2006. The recent strength in housing starts is in part due to unusually mild weather through much of the country so far this winter. However, it's not just about the weather. Building permits jumped 9.2% in January and hit the highest level since 2007, a good sign for construction later in 2020. We think home building will remain on the upward trend it's been in since 2011. Based, on fundamentals (population growth and scrappage) the US needs to start about 1.5 million homes each year, a level that was only recently hit in December 2019. Given how long it's taken to get back to that level, there's also some room for overshooting to make up for lost time. In other recent housing news, the NAHB index, which measures sentiment among homebuilders fell one point to 74 in February from 75 in January, remaining just below the 20-year high of 76 set in December 2019. It's not hard to see why builders remain optimistic about the housing market. Mortgage rates have dropped roughly 110 basis points since the peak in late 2018 while wages continue to grow at a healthy pace, boosting affordability. Our outlook on housing hasn't changed: we continue to anticipate a rising trend in home building in the next few years.

Housing Starts <i>SAAR, thousands</i>	Monthly <i>% Ch.</i>	Jan-20 <i>Level</i>	Dec-19 <i>Level</i>	Nov-19 <i>Level</i>	3-mth <i>moving avg</i>	6-mth <i>moving avg</i>	Yr to Yr <i>% Change</i>
<b>Housing Starts</b>	<b>-3.6%</b>	1567	1626	1381	1525	1426	21.4%
<b>Northeast</b>	<b>31.9%</b>	178	135	107	140	136	23.6%
<b>Midwest</b>	<b>-25.9%</b>	180	243	172	198	187	27.7%
<b>South</b>	<b>-5.4%</b>	778	822	748	783	741	9.1%
<b>West</b>	<b>1.2%</b>	431	426	354	404	362	47.1%
<b>Single-Unit Starts</b>	<b>-5.9%</b>	1010	1073	940	1008	958	4.6%
<b>Multi-Unit Starts</b>	<b>0.7%</b>	557	553	441	517	468	71.4%
<b>Building Permits</b>	<b>9.2%</b>	1551	1420	1474	1482	1454	17.9%
<b>Single-Unit Permits</b>	<b>6.4%</b>	987	928	921	945	917	20.2%

Source: U.S. Census Bureau