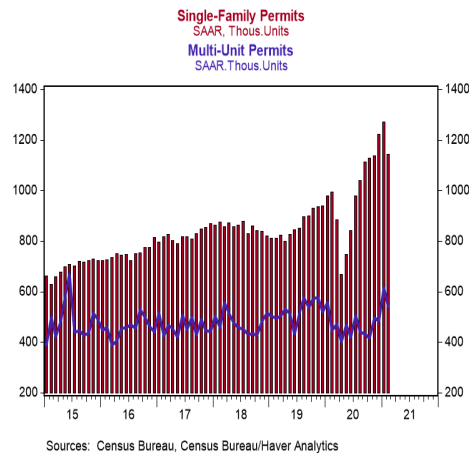
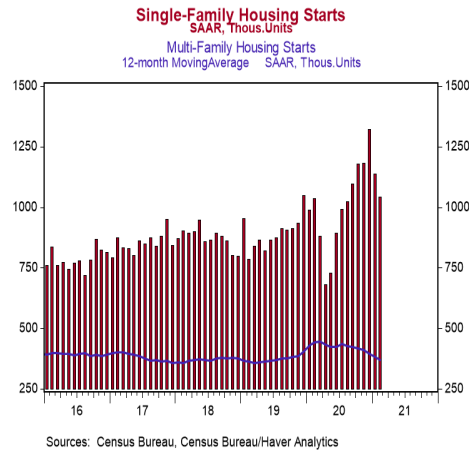


February Housing Starts

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

- Housing starts declined 10.3% in February to a 1.421 million annual rate, well below the consensus expected 1.560 million. Starts are down 9.3% versus a year ago.
- The drop in February was due to both single-family and multi-family starts. In the past year, single-family starts are up 0.6% while multi-unit starts are down 28.5%.
- Starts in February fell in the Northeast, Midwest, and South, but rose in the West.
- New building permits declined 10.8% in February to a 1.682 million annual rate, below the consensus expected 1.750 million. Compared to a year ago, permits for single-family units are up 15.0% while permits for multi-family homes are up 21.4%.



Implications: Housing starts fell for the second month in a row in February, largely the result of harsh winter weather across much of the country, which impeded construction activity. Given that February’s job’s report from earlier this month showed the construction sector had shed 61,000 jobs, the first decline in 10 months, the weakness in today’s report wasn’t surprising. The decline in housing starts was also broad-based, with every region outside the West and both single-family and multi-family construction posting declines. That said, we anticipate a return to the upward trend in housing starts very soon, led higher by single-family homes. Why the confidence? First, despite a 10.8% decline in February, building permits for future construction remain near the highest level since 2006. Moreover, permits have now outpaced new construction for seven consecutive months. This has resulted in a backlog of projects that have been authorized but not yet started, which is now the largest in nearly 15 years. So, with plenty of future building activity in the pipeline and builders looking to boost the inventory of homes as well as meet consumer demand, look for both overall and single-family starts to post even higher highs in 2021. This positive outlook is reinforced by yesterday’s read on the NAHB index, a gauge of homebuilder sentiment, which fell to a still-elevated reading of 82 in March from 84 in February. The decline was largely driven by rising materials costs, especially lumber, another signal of ongoing inflationary pressure as the US begins to reopen.

Housing Starts SAAR, thousands	Monthly % Ch.	Feb-21 Level	Jan-21 Level	Dec-20 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-10.3%	1421	1584	1670	1558	1533	-9.3%
Northeast	-39.5%	118	195	136	150	133	-2.5%
Midwest	-34.9%	138	212	246	199	201	-29.9%
South	-9.7%	725	803	840	789	796	-16.6%
West	17.6%	440	374	448	421	402	15.8%
Single-Unit Starts	-8.5%	1040	1136	1322	1166	1159	0.6%
Multi-Unit Starts	-15.0%	381	448	348	392	373	-28.5%
Building Permits	-10.8%	1682	1886	1704	1757	1666	17.0%
Single-Unit Permits	-10.0%	1143	1270	1223	1212	1169	15.0%

Source: U.S. Census Bureau