



Economics Group

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Housing Starts Start The Year On The Fast Track

Housing starts jumped 9.7 percent in January, with multifamily starts surging 23.7 percent and single-family starts rising 3.7 percent. Permits rose 7.4 percent in January, with all the gain coming in multifamily units.

While we often remind folks to view the winter housing data with caution, it is reassuring to see housing starts bounce back solidly in January. This winter has not been devoid of winter weather but conditions in the South and West, where the bulk of new construction has taken place, have been fairly mild and allowed a bit more construction to begin than usual.

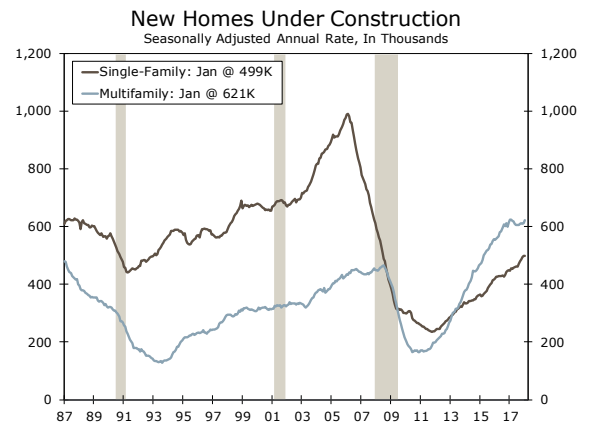
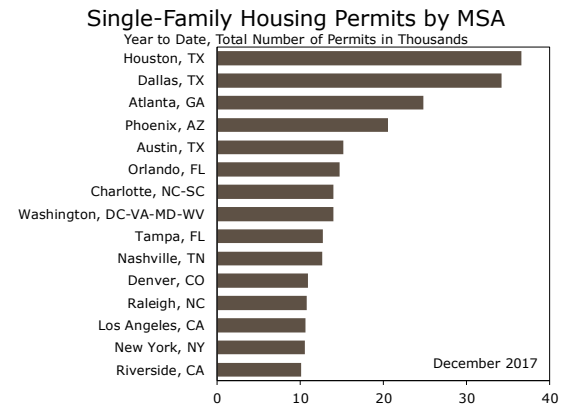
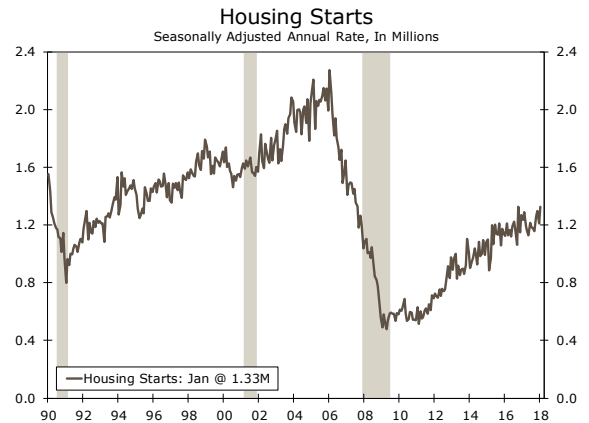
The monthly data have certainly been volatile. Revisions to the November and December data now show starts rising 3.0 percent in November and then falling 6.9 percent in December, before rebounding 9.7 percent this past month. The volatility is evident in both the single-family and multifamily series. In addition to the weather impact, the recent pace of starts is being influenced by the rebound from last summer’s devastating hurricanes, which reduced starts in August and September.

The Northeast posted the largest percentage gain in January, with overall starts surging 45.5 percent to a 128,000 unit pace. Single-family starts rose 34.7 percent, while multifamily starts jumped 59.0 percent. Permits had surged during the prior month and apparently, even with Bomb-Cyclone, builders were able to follow through with their projects. Building permits fell 16.9 percent in the Midwest and are now running slightly below starts. Starts in the Midwest fell 10.2 percent, with single-family falling 4.0 percent.

The South and the West account for the bulk of new home construction. Both regions are seeing strong population and employment growth. Houston, Dallas, Atlanta, Phoenix and Austin ranked as the top five markets for single-family permits this past year and construction activity is likely to be stronger in most of these areas this year. Housing starts in the South rose 9.3 percent in January, with single-family starts rising 4.5 percent. Permits jumped 21.9 percent in the South, however, mostly for multifamily projects, which surged 92.5 percent. Permits for single-family homes rose a more modest 3.5 percent. The pace of building permits for both single-family homes and multifamily homes remain slightly above starts, suggesting that homebuilding has strong momentum in the South.

The West saw starts climb 10.7 percent in January but single-family starts fell 0.4 percent. Overall permits rose 5.3 percent in the West, while single-family permits fell 1.3 percent. While homebuilding has strong momentum in the West, supply constraints continue to weigh on many markets. Shortages of lots and rising costs for workers and building materials are making it difficult for builders to build affordable homes in much of the West. Some of the strongest growth is now taking place in more affordable parts of the region, including the Inland Empire, Phoenix and Las Vegas.

While starts increased in January, the number of units under construction was unchanged on the month at a 1.12 million annual rate, while the pace of completions fell slightly to a 1.166 million unit pace. All of that drop was in multifamily units. Builders have ramped up construction of single-family homes and completions should rise going into the spring selling season.



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