



Economics Group

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Housing Starts Rise in February

Housing starts rose 5.2 percent in February, led by a 7.2 percent jump in single-family starts. Single-family starts are now running at their highest pace since November 2007. Permits slipped 3.1 percent, however.

Homebuilding May Finally Be Getting Back on Track

Housing starts rose 5.2 percent in February to a 1.178 million-unit pace. Single-family starts jumped 7.2 percent to an 822,000-unit pace, which is the highest pace for single-family housing starts since November 2007. Multifamily starts increased more modestly, climbing just 0.8 percent in February, following a 9.5 percent drop during the prior month.

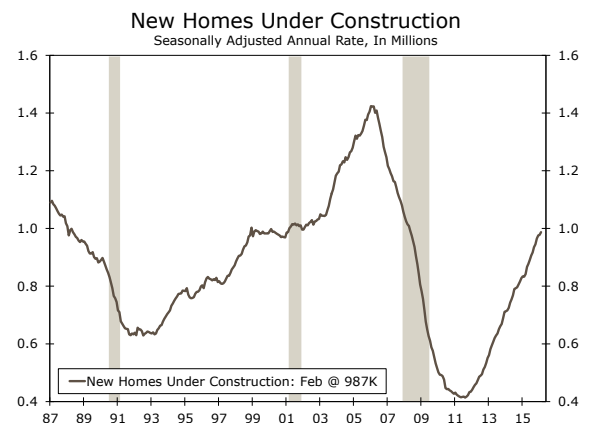
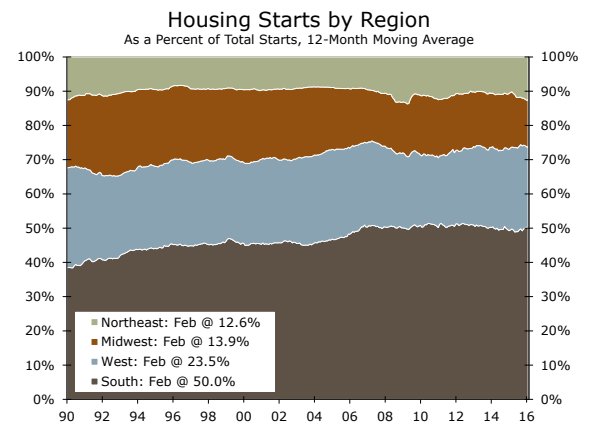
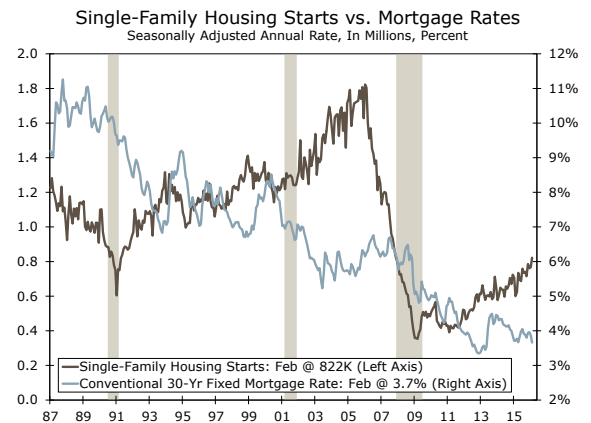
The winter months are a hard time to gauge the strength of the housing market because building activity tails off so much during this time of year and seasonal adjustment factors can lead to huge swings in the monthly data if the weather is a little better or a little worse than it typically is. The past month provides an excellent example of this tendency, with February housing starts some 30.9 percent above their year-ago levels, when back-to-back blizzards severely cut into new starts.

This past winter has been fairly mild, although the return of winter weather in the Northeast likely contributed to that region's 51.3 percent drop in starts during February. Starts rose solidly in other parts of the country, with the West posting an eye-popping 26.1 percent gain. Starts also rose 19.9 percent in the Midwest and increased 7.1 percent in the South.

The big increase in starts in the West is encouraging, particularly the 24.8 percent rise in single-family starts, as this region has been struggling with supply shortages in red hot employment markets along the West Coast. The South, which accounts for more than half the nation's new homes each year, saw starts rise 7.1 percent in February, with all the gain coming from multifamily units. Single-family starts were unchanged during the month at a 417,000-unit annual rate. That puts the pace of single-family construction 7.7 percent ahead of starts for 2015 as a whole.

The improvement in single-family starts should put the housing market in good shape going into the key spring selling season. Part of the recent stall in the NAHB/Wells Fargo Housing Market Index is likely due to the lack of available inventory to show potential buyers. Builder confidence remains relatively high, particularly in the West. But confidence has slipped a bit in recent months, even though mortgage rates have remained well below 4 percent and mortgage applications for home purchases have risen.

The pipeline of new homes coming to the market has improved considerably. Lending for new residential development has increased and steady gains in household formation have cut the number of vacant homes for sale or rent. The number of homes under construction around the country has steadily edged higher over the past year. Apartment projects had accounted for much of the gain in previous years. The momentum now appears to be shifting toward single-family construction, with the number of single-family homes under construction rising 1.4 percent since December, compared to just a 0.5 percent rise in multifamily starts.



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