Data Release: Housing starts and permits both above 1.1 million in April

- Housing starts increased by 191k to an annualized pace of 1.135 million in April, beating expectations for a rebound to 1.015 million. Revisions for recent months added another 34k to the 2015 tally.
- Building permits were also higher, rising to 1.143 million annualized, nearly 80k more than expected.
- Single family starts were 105k higher at 733k annualized. Multifamily starts rebounded by 86k to 402k annualized.
- Gains were led by the Northeast (+85k), West (+78k) and Midwest (+37k) while homebuilding in the South pulled back 9k.

Key Implications

- This is exactly the kind of report we were hoping to see. After a couple of slow months housing starts came back with a vengeance, rising to their highest levels of the recovery with some positive revisions to boot. Making this report all the more positive was the solid tick up in permits, which suggests that the pace of homebuilding should continue to improve, with both starts and permits above 1.1 million for the first time during the recovery.
- The pickup in April suggests that the slowdown in February and March was primarily related to a harsh winter. This notion is corroborated by the gains in activity experienced in the Northeast and Midwest regions – both of which bore the brunt of the poor weather in February and March.
- The good news did not stop there. The single family segment, which has lagged substantially, rose across all regions and registered its highest level of homebuilding of the recovery.
- This report should help to assuage fears over the slowdown experienced by the U.S. economy in recent months. The revisions to housing starts suggest an additional 0.1 percentage points in contribution from residential investment to Q1 growth. While this will not prevent the first-quarter economic numbers from indicating what will most likely be a sizeable contraction – given that the economy had to contend with drag from net exports and a decline in energy-related investment – it would appear that the more domestic-oriented sectors will begin to pull their weight after all.

Michael Dolega, Senior Economist
416-983-0500

DISCLAIMER
This report is provided by TD Economics. It is for informational and educational purposes only as of the date of writing, and may not be appropriate for other purposes. The views and opinions expressed may change at any time based on market or other conditions and may not come to pass. This material is not intended to be relied upon as investment advice or recommendations, does not constitute a solicitation to buy or sell securities and should not be considered specific legal, investment or tax advice. The report does not provide material information about the business and affairs of TD Bank Group and the members of TD Economics are not spokespersons for TD Bank Group with respect to its business and affairs. The information contained in this report has been drawn from sources believed to be reliable, but is not guaranteed to be accurate or complete. This report contains economic analysis and views, including about future economic and financial markets performance. These are based on certain assumptions and other factors, and are subject to inherent risks and uncertainties. The actual outcome may be materially different. The Toronto-Dominion Bank and its affiliates and related entities that comprise the TD Bank Group are not liable for any errors or omissions in the information, analysis or views contained in this report, or for any loss or damage suffered.