



TD Economics

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Data Release: Housing starts rise to a four-month high in February

- The pace of homebuilding continued to climb in February, reaching a four-month high, with housing starts rising by 37k units to 1,288k (annualized). The headline number came in stronger than market expectations for 1,264k units. The expected rebound more than erases the prior month's decline, which was revised up to 1,251k units.
- Encouragingly, the entire gain was concentrated in the single-family segment (+53k) while the pace of multi-family construction continued to moderate (-16k).
- Building permits disappointed, coming in well below expectations, declining by 80k to 1213k, albeit from an upwardly revised 1293k print in the prior month. Nonetheless, good news was found in single-family permitting activity, which rose by 25k to 832k – the highest level since September 2007. Permitting across the volatile multifamily segment, on the other hand, continued to soften, falling by 105k units, and erasing more than all of the prior month's gain.
- The monthly housing starts gain came entirely from the West (85k). Meanwhile, all other regions saw modest declines, with the South (-26k) leading the way followed by the Northeast (-13k) and Midwest (-9k) regions.

Key Implications

- This morning's report was quite upbeat, with housing starts rising to a four-month high in February. Furthermore, the pace of homebuilding is well above its 6-month average and reaffirms our view that home-building in America is on a modestly positive upward trajectory.
- The report however was not without flaws with headline permitting activity recording a large decline, dragged down entirely by the volatile multifamily segment. Nonetheless a rebound should be in store, with single-family segment posting strong gains to the highest level on record since September 2007. Moreover, the NAHB's Housing Market Index rose to 71, or an 11-year high in March, suggesting that interest in new homes continues to improve despite rising interest rates.
- Rising long-term interest rates will likely place some downward pressure on housing demand, with the Fed likely to raise rates twice more this year after yesterday's hike. Still, rising income and job gains should provide an offset. Today's report, which suggests that records are being broken across a number of measures, only confirms the outlook for homebuilding in America is one that appears quite positive.

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