



TD Economics

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Data Release: Housing starts flat in February, but permits rebound

- The pace of residential activity was little changed in February, with housing starts edging lower by a mere 2k units to 907k (annualized) from an upwardly revised January tally of 909k units. The headline number was just a shade below market expectations for 910k new units.
- Both single and multi-family starts were relatively flat on the month. Single-family starts ticked up by a hair, rising from 581k units to 583k units, while the multi-family segment edged lower by 1.2% to 324k.
- Building permits, on the other hand, surprised to the upside, rising by 73k units to 1.018 million and moving above the 1-million benchmark for the first time since November. This was considerably stronger than the market's expectation for 960k.
- Regionally, housing starts increased in the South (+36k) and Midwest (+20k). Meanwhile, the pace of new residential construction decelerated in the Northeast (-45k) and West (-13k).

Key Implications

- While the headline number failed to impress, overall this was a decent report. The rebound in building permits in particular suggests that the recent slowdown in housing construction is likely a temporary phenomenon.
- At their current rate of 907k units, residential construction is approximately 60% below its long-run demographic-driven trend. The demographic backdrop remains exceptionally supportive of a stronger rebound in homebuilding activity. We continue to expect an acceleration in residential construction, particularly within the single-family segment, with housing starts expected to rise to 1.2 million by the end of this year and to just under 1.5 million by the fourth quarter of 2015.
- The share of new-to-existing home sales remains low compared to historical average. However, with the supply of foreclosed properties dwindling with each passing month, prospective buyers are likely to shift their attention toward newly constructed homes.

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