



## **HOUSING STARTS WEAK, PRIOR MONTH REVISED SHARPLY HIGHER**

- **U.S. housing starts were weak in February, falling to 575K units, down 5.9% M/M. January was revised to 611K from 591K.**
- **Permit approvals slumped during the month, falling by 1.6% M/M.**
- **Poor weather conditions likely stalled some new residential housing activity in February.**

U.S. residential housing starts declined by 5.9% M/M in February, following the upwardly revised January print of 611K or 6.6% M/M (originally reported as 591K or 2.8% M/M). The decline was larger than the market was expecting, though the large revisions to prior months offset the initial negative interpretation of this month's headline number. During the month, single-family construction was soft, declining by 0.6% M/M following the 4.4% M/M advance seen in January. The volatile multi-family component of the report declined by a whopping 30.3% M/M in February, coming off January's 18.5% M/M advance. On a year ago basis, starts are up for the third consecutive month, though the 0.2% Y/Y advance is much softer than the prior months 25.2% Y/Y gain. On a three-month trend basis, the level of housing starts declined to 586K from 588K the prior month. In addition, the level of starts remains a whopping

75.0% below its cyclical peak of 2.3 million units reached in early 2006.

Building permit approvals declined by 1.6% M/M, which was a stronger print relative to the market's expectation for a 3.4% M/M decline. This now brings the level of permits to 612K from 622K in January. As is typical in winter months, the transition from permits to starts can be adversely affected by poor weather conditions. We know that February was a bad month for blizzards, which likely had an effect on today's report. As the weather improves, we could see a rebound in the pace of advance of starts as delayed starts from earlier months come back on-line. However, a persistent move higher is likely not going to be the case as weak labour market conditions continue to keep consumers from purchasing large ticket items, such as new housing.

On the whole, despite the disappointing print in housing starts, the strength seen in the prior month's revisions do skew the interpretation. This was a weak report, but it seems as though it came off a string of better than expected months, and the slowdown is also likely a function of adverse weather conditions. Going forward, we remain cautious on the housing outlook as there are still a lot of imbalances in the U.S. economy despite the fact the broader recovery remains intact.

*Ian Pollick  
Economics Strategist  
TD Securities*

***For further information, contact Beata Caranci at 416-982-8067.***

This report is provided by TD Economics for customers of TD Bank Financial Group. It is for information purposes only and may not be appropriate for other purposes. The report does not provide material information about the business and affairs of TD Bank Financial Group and the members of TD Economics are not spokespersons for TD Bank Financial 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. The 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 TD Bank Financial 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.