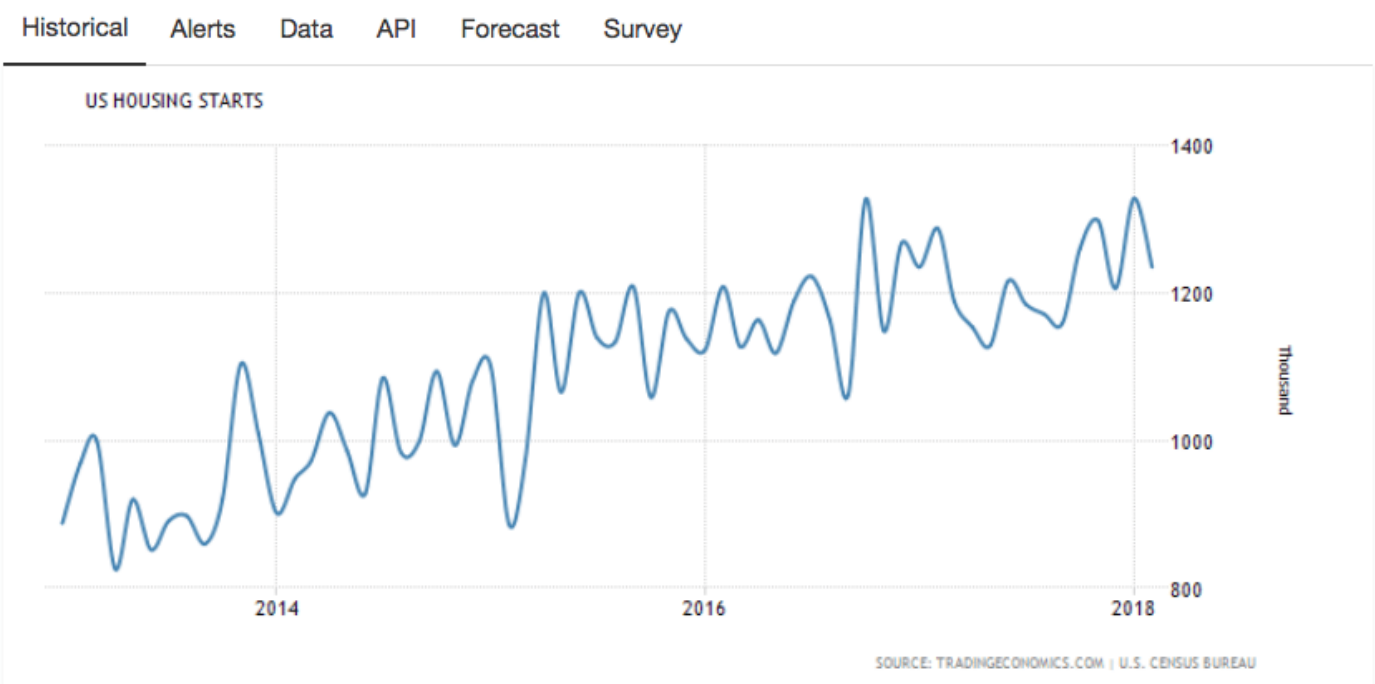
Housing starts unexpectedly fall, multifamily sector to blame

The February 2018 joint report by the U.S. Census Bureau and the U.S. Department of Housing and Urban Development on new residential construction is a mixed bag. Although overall starts took quite a hit — a surprise given January's solid 10 percent gain — it was mostly due to a weak multifamily sector, according to analysts. Meanwhile single-family housing starts rose modestly, and housing completions were up sharply year-over-year, a piece of good news for buyers preparing for spring homebuying season.



Housing starts from 2014 to 2018. Credit: Trading Economics

Here's the break down:

Privately-owned housing starts declined 7.0 percent month-over-month (+/- 16.7 percent) and 4.0 percent year-over-year (+/- 12.2 percent), to a seasonally adjusted rate of 1.24 million. (Economists surveyed by MarketWatch were expecting starts to reach a rate of 1.29 million). **Single-family housing starts** increased to a rate of 902,000, a 2.9 percent month-over-month (+/- 10.8 percent) increase from January's 877,000.

Overall **building permits** were down 5.7 percent month-over-month (+/- 0.7 percent), but were 6.5 percent above (+/- 2.4 percent) February 2017. **Single-family housing permits**, however, were at a rate of 872,000, a 0.6 percent (+/- 0.9 percent) decrease from January.

Lastly, privately-owned **housing completions** increased 7.8 percent month-over-month (+/- 14.8 percent) and 13.6 percent year-over-year (+/- 16.0 percent) to a rate of 1,161,000. **Single-family completions** were at a rate of 895,000 — 3.0 percent above (+/- 10.6 percent) January's rate of 869,000.

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"The fall in housing starts in February is a movement in the wrong direction," said National Association of Realtors chief economist Lawrence Yun in an emailed statement. "The key to

economic prosperity at this juncture of economic expansion is to produce more new homes. That will help with job creation and reduce the swift price appreciation in several markets."

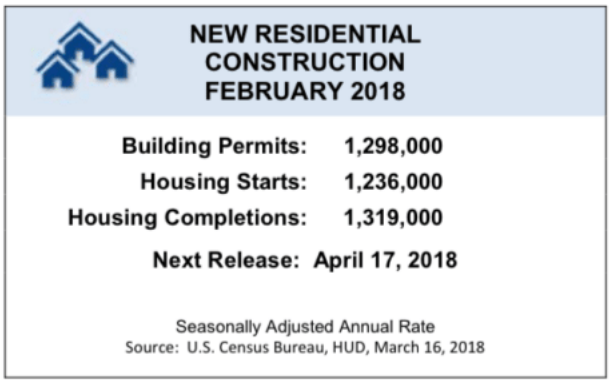
Although the boost in single-family housing starts is welcome news, Yun says it's simply "not enough."

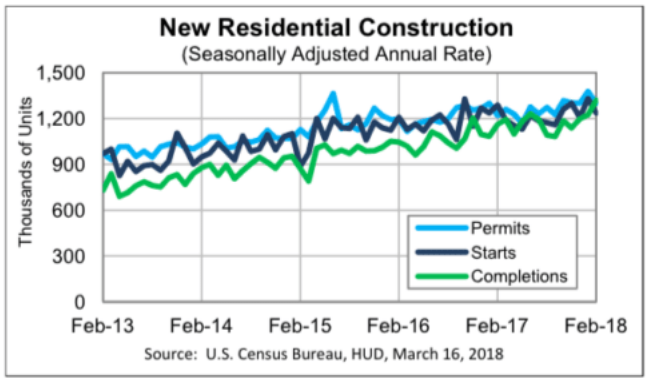
"A total of 1.2 million homes were constructed last year, which was vastly inadequate," he said. "Last month's annualized rate of 1.24 million is only a hair above 2017's figure. While relaxing regulations on small-sized community banks may spur more construction loans for building, labor shortages in the industry continue to stunt overall activity."

First American chief economist Mark Fleming focused on the increase in single-family housing starts, suggesting that it's good for buyers looking to enter the market this spring.

"Housing starts are the source of future completions, and while builders broke ground on fewer homes overall this month compared with February 2017, it was mostly due to a drop in multifamily housing starts," Fleming said in a statement.

"Single-family housing starts increased 2.9 percent compared with last February. Housing completions, the number of net new homes added to the housing stock, increased dramatically compared with a year ago. This signals some relief for the supply shortage. The rise in permits, the leading indicator of housing starts, in conjunction with the dramatic rise in construction employment this month, signals an upward trajectory for housing starts for the spring home buying season."





About the report

The metrics in the New Residential Construction report measure new, privately owned housing units, excluding manufactured (mobile) homes. The U.S. Census Bureau and HUD collect the data from the Building Permits Survey and from the Survey of Construction, which is partially funded by

HUD.

The Building Permits Survey produces estimates of the number of permits issued for new housing units based on a mail survey of a sample of permit offices. The Survey of Construction produces monthly estimates of housing starts and completions; Census Bureau field representatives sample individual permits within a sample of permit offices and then interview the builders or owners who took out the sampled permits to obtain start and completion date, as well as sale dates and characteristics, such as size and number of bedrooms.

Field representatives also drive roads looking for new residential construction activity in land *areas where building permits are not required.*

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Source: click here