

Homebuilders

Single-family starts/permits maintain strong trajectory; multi-family still weak

Industry Overview

Housing starts down MoM & YoY in January

January 2024 housing starts pace (seasonally adjusted annualized rate) decreased to 1.33mm, compared to December starts of 1.56mm (-14.8% MoM) and 1.34mm in January 2023 (-0.7% YoY). Single family starts SAAR decreased (4.7%) MoM but rose +22.0% YoY, and multifamily (MF) starts decreased (35.6%) MoM and (36.8%) YoY.

Outlook: expect strong SF growth and deteriorating MF

We now expect single-family housing starts to increase 20% YoY in 1Q24 against a depressed base from last year (1Q23 SF starts declined -29% YoY). In 2024, we continue to expect single-family housing starts to increase 9% YoY to 1.03mm (unchanged). For total housing starts in 2024, we expect starts to decline (3.5%) YoY to 1.36mm with ~16% decline in multi-family starts offsetting the increase in single-family starts.

Housing permits rose 8.6% YoY, fell (1.5%) MoM in Jan

January 2024 housing permits (SAAR) decreased to 1.47mm compared to 1.49mm in December 2023 (-1.5% MoM, but +8.6% YoY). Single-family permits rose +1.6% MoM and +35.7% YoY, while Multifamily permits fell (7.9%) MoM and (24.9%) YoY.

Mortgage purchase apps down YoY and sequentially

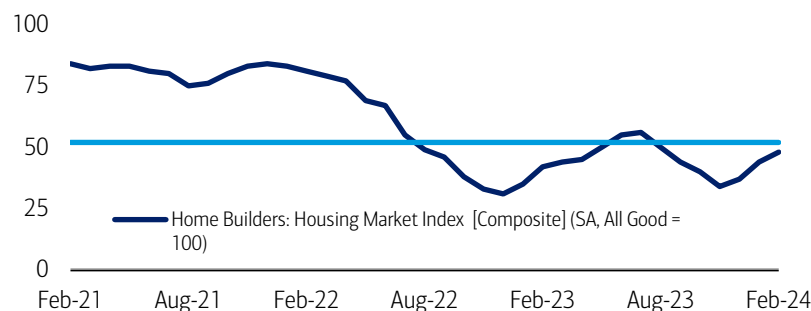
Mortgage Bankers Association (MBA) purchase applications index (seasonally adjusted) declined (11.4%) YoY last week and has been declining since mortgage rates began rising in mid-January. Mortgage applications of new and existing home purchases are running near 30-year lows due to lock-in effect of high mortgage rates.

NAHB confidence rose to 48 in February

Homebuilder confidence, as measured by National Association of Home Builders (NAHB) Index, rose four points to 48 in February. We believe the recent decline in mortgage rates of over 100 bps from October to December contributed to the sequential improvement in builder confidence.

Exhibit 1: NAHB Homebuilder sentiment index

Homebuilder sentiment rose to 48 in February, but still below the historical average



Source: National Association of Home Builders

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16 February 2024

Equity
United States
Homebuilders

Rafe Jadrosich
Research Analyst
BofAS
+1 646 855 5815
rafe.jadrosich@bofa.com

Shaun Calnan, CFA
Research Analyst
BofAS
+1 646 855 1362
shaun.calnan@bofa.com

Victoria Piskarev
Research Analyst
BofAS
+1 646 855 0657
victoria.piskarev@bofa.com

SF: Single family

MF: Multi-family

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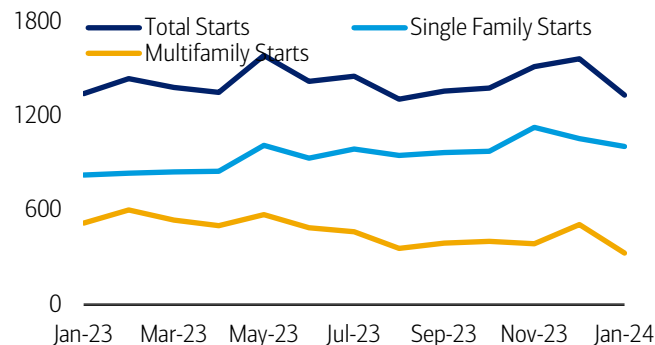
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January housing starts down (1%) YoY and (15%) MoM

January 2024 housing starts pace (seasonally adjusted annualized rate) decreased to 1.33mm, compared to December starts of 1.56mm (-14.8% MoM) and 1.34mm in January 2023 (-0.7% YoY). Single family starts SAAR fell MoM but increased YoY (-4.7% MoM, +22.0% YoY). Multifamily (MF) starts decreased MoM and YoY (-35.6% MoM, -36.8% YoY). By region: Northeast (-20.6% MoM, -18.8% YoY), South (-9.7% MoM, -4.2% YoY), West (-15.7% MoM, +11.4% YoY), and Midwest (-30.0% MoM, +10.9% YoY).

Exhibit 2: US Housings Starts (SAAR; 1,000s units)

January single family +22.0% YoY, multifamily -36.8% YoY

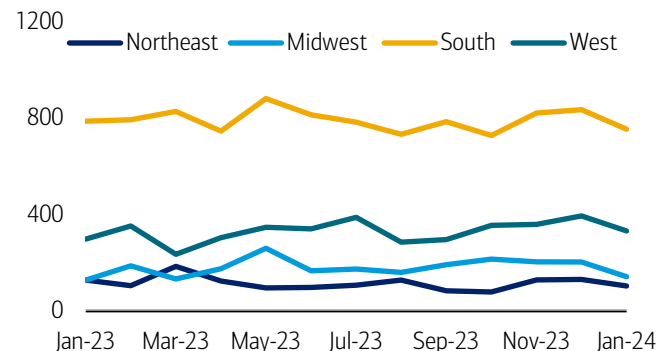


Source: Haver Analytics, US Census Bureau

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Exhibit 3: US Housings Starts (SAAR; 1,000s units) by region

South region outperformed MoM, West region outperformed YoY

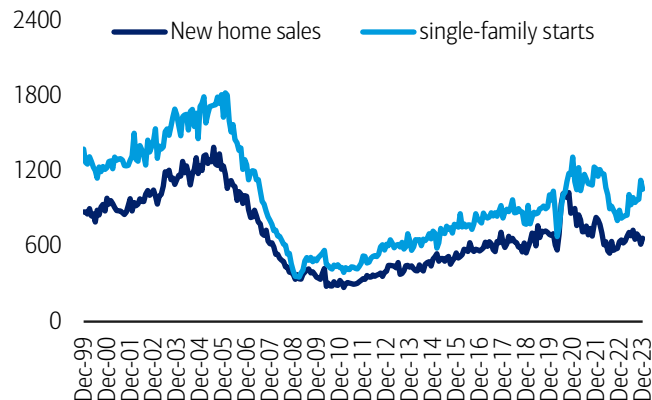


Source: Haver Analytics, US Census Bureau

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Exhibit 4: New home sales vs. single-family starts (SAAR; 1,000s units)

New home sales increased on a MoM basis in December 2023

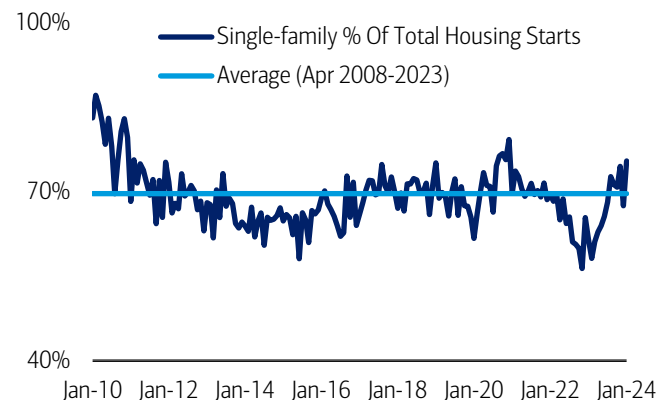


Source: Haver Analytics, Census Bureau. December is the latest data point (New home sales)

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Exhibit 5: US Housings Starts Single-Family as a % of Total Starts (SAAR; 1,000s units)

Single-family represents 75% of total housing starts in Jan 2024. Average (2008-2023) is 70%



Source: Haver Analytics, Census Bureau

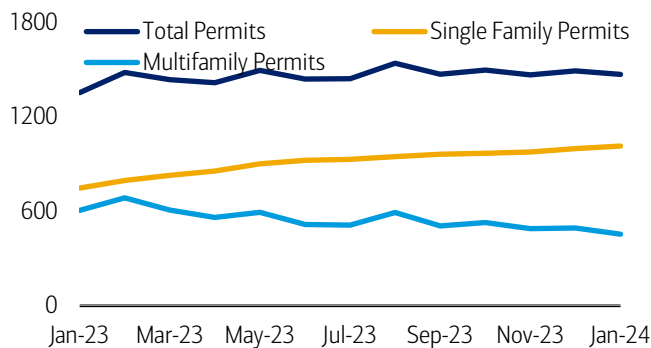
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Exhibit 6: US Building Permits (SAAR; 1,000s units)

January multifamily -7.9% MoM, single-family +1.6% MoM

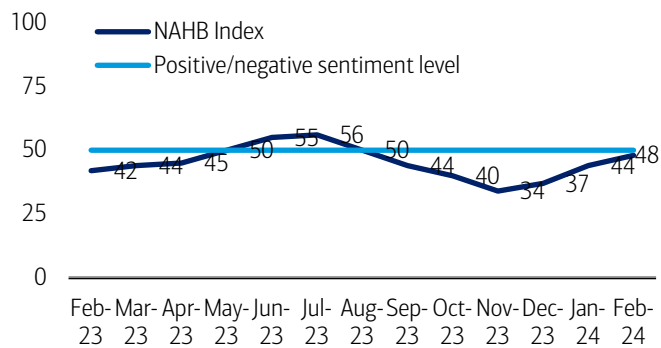


Source: Haver Analytics, Census Bureau

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Exhibit 7: NAHB Homebuilder sentiment index

Builder sentiment rose to 48 in February



Source: National Association of Home Builders

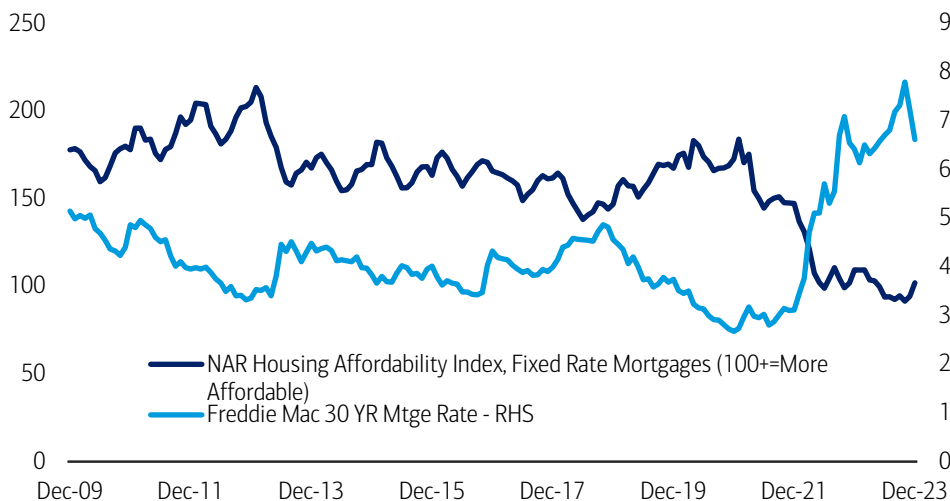
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Housing affordability up MoM, but down YoY in December

In December, mortgage rates fell to 6.61% from its peak of 7.79% in October, causing the affordability index to rise. The National Association of Realtors (NAR) affordability index was down (6.8%) YoY in December, but rose 8.2% MoM.

Exhibit 8: Affordability vs Freddie Mac 30 YR mortgage Rate

Affordability still down (6.8%) YoY, but up 8.2% MoM in December when mortgage rates started to fall



Source: Haver Analytics, National Association of Realtors

Note: most recent affordability as of December

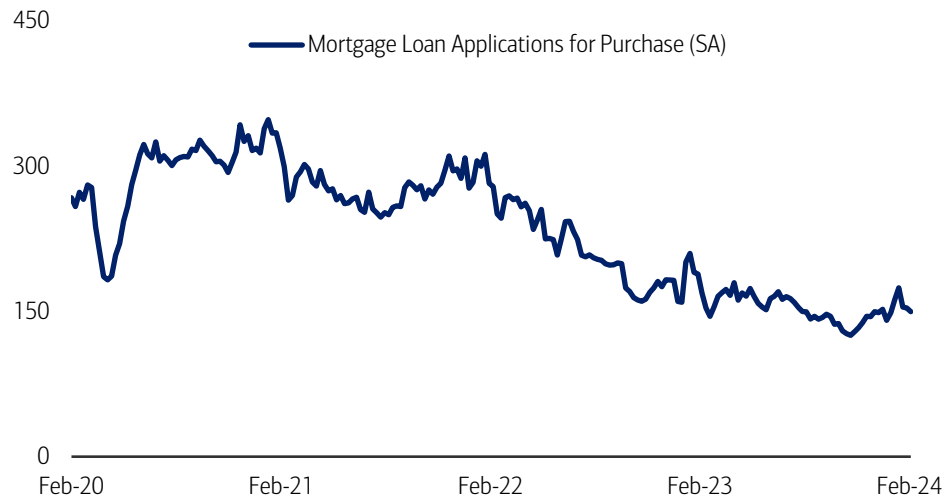
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MBA purchase index fell (3%) WoW and (11%) YoY

The Mortgage Bankers Association (MBA) purchase index measures mortgage loan application volume. The Index is a leading indicator of home sales by four to six weeks. Mortgage Bankers Association (MBA) purchase applications index (seasonally adjusted) decreased (2.5%) to 149.6 during the week ended February 9th and was down (11.4%) on a YoY basis.

Exhibit 9: Mortgage Bankers Association Purchase Index

MBA Purchase Index down (11.4%) YoY in February



Source: Haver Analytics
Data through February 9, 2024

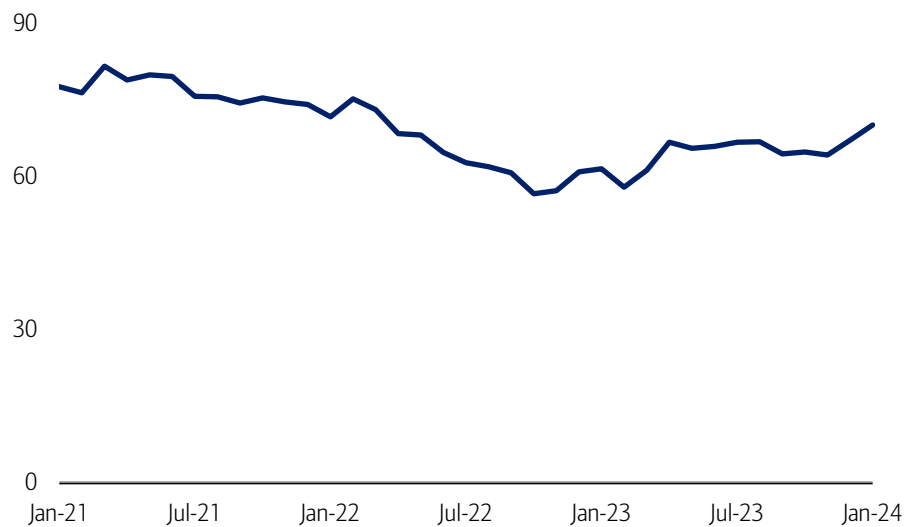
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HPSI index rose 3.0 points MoM in January

Home purchase sentiment index (HPSI), as measured by Fannie Mae, rose MoM to 70.2 in January. A survey-high 36% of consumers indicated that they expect mortgage rates to go down, 28% expect them to go up, and 35% expect rates to remain flat. Consumer perceptions of homebuying conditions remain pessimistic with 17% of consumers believe it's a good time to buy a home. The full index is up 8.6 points year over year.

Exhibit 10: Fannie Mae home purchase sentiment index

Home purchase sentiment rose 2.9 points to 67.2 in December



Source: Fannie Mae HPSI

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