

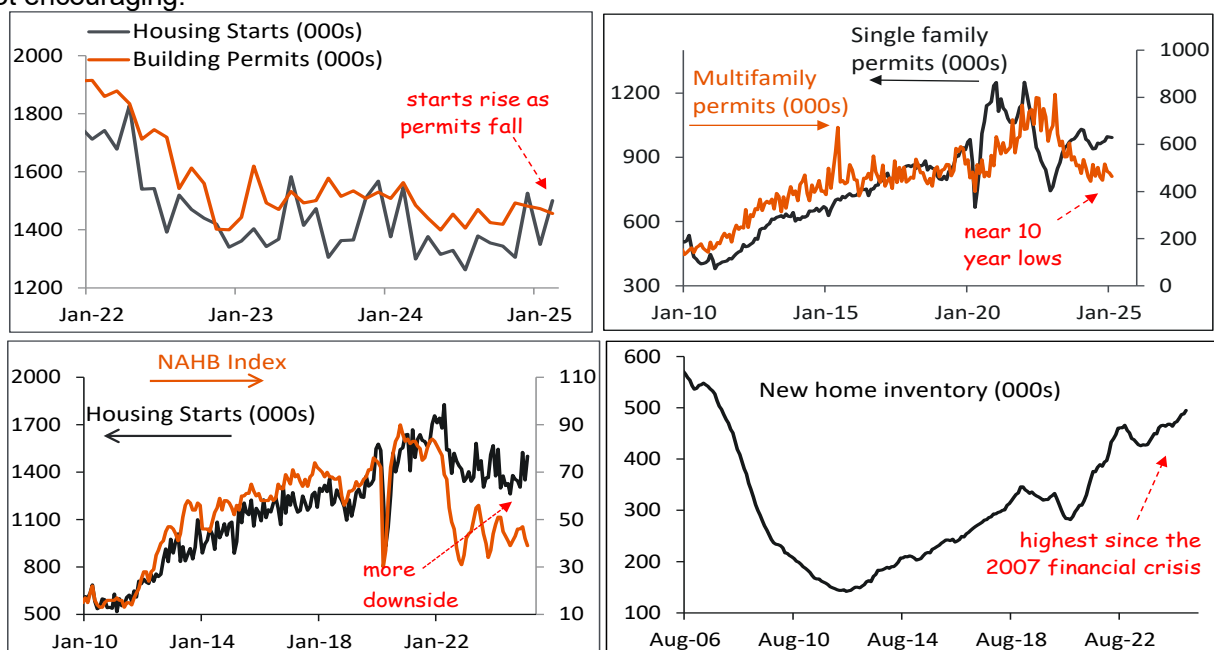
Housing Starts/Building Permits (February 2025)

Rebounding, but Hurdles Still Linger

- Housing starts increased 11.2% MoM in February to 1501k, above market estimates of 1385k.
- Building permits fell 1.2% MoM to 1456k, but still ended slightly above market expectations of 1453k.
- Multifamily starts of 5+ units increased by 12.1% MoM, with single family homes rising by 11.4% MoM.
- Construction increased in three of four geographic regions. Starts in the Northeast, South and West were up 47.4%, 18.3% and 5.9% MoM, but were down 24.9% MoM in the Midwest.

Bottom line:

- Following an unusually harsh January marked by cold weather and winter storms that stalled the construction of new residential properties, homebuilding activity saw a significant rebound in February. This resurgence in construction activity was fueled by increases in both multifamily and single-family units, with the South and Northeast regions experiencing the most substantial gains.
- However, despite the sharp rise in housing starts, building permits—an indicator of future construction activity—declined (top left chart). This drop extended the downward trend, with permits now 6.8% lower than levels recorded a year ago. While single-family authorizations remained relatively stable, permits for multifamily structures with five or more units fell to near ten-year lows (top right chart), signaling a weaker demand in the rental market.
- Residential construction may experience a slowdown in the months ahead due to economic uncertainty, the potential for tariffs, and high construction costs, which have collectively driven builder sentiment to its lowest point in seven months. Indeed, the gap between builder optimism and the actual housing starts suggests that further weakness in construction is likely (bottom left chart). Additionally, with new housing inventory at levels not seen since December 2007 (bottom right chart), builders may lack the motivation to initiate new single-family housing projects. Even though mortgage rates are decreasing, the forward-looking indicators for residential construction are not encouraging.



Source: US Census Bureau, PiperSandler

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