



## Builder Confidence and Construction Activity Both Go Up

Builder confidence rose for the fourth straight month and residential construction stats may now be trying to catch up. Both construction permits and housing starts rose in February compared to both January and February 2023 levels.

The U.S. Census Bureau and the Department of Housing and Urban Development (HUD) said new residential construction began on a seasonally adjusted pace of 1.521 million units last month. This is 10.7 percent higher than the 1.374 million units reported in January and 5.9 percent more than the level a year earlier.

Single-family starts rose 11.6 percent for the month to a rate of 1.129 million units and were up 35.2 percent year-over-year while multifamily starts increased by 8.5 percent. They retreated however by 35.9 percent on an annual basis.

On a non-seasonally adjusted basis, construction started on 108,100 units during the month, 79,200 of which were single-family houses. The January numbers were 97,400 and 69,700 respectively.

Permitting also increased, although not as dramatically. Authorizations were at a seasonally adjusted level of 1.518 million, 1.9 percent higher than the 1.489 million estimate the previous month. The year-over-year change was +2.4 percent.

Single-family permits were up 1.0 percent to 1.031 million, 29.5 percent higher than a year earlier. Multifamily permits increased 2.4 percent but lagged the prior February by 32.8 percent.

Permits issued during the month totaled 118,300, up from 114,800. Single-family permits increased from 75,900 to 79,300.

Analysts were on target with their forecasts. Those polled by Econoday had consensus estimate of 1.449 million for starts and 1.500 million for permits.

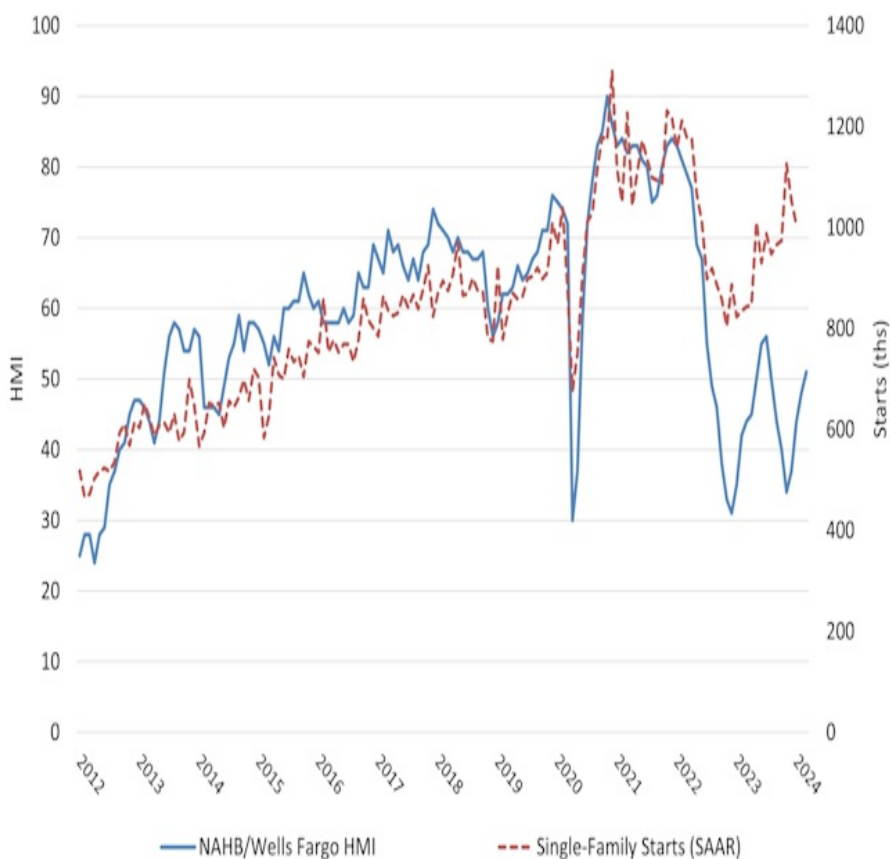
There were an estimated 124,100 residential units completed in February compared to 97,300 in January. Of those, a respective 81,000 and 61,000 were single-family units. On a seasonally adjusted basis, completions increased 19.7 percent from January and 9.6 percent for the year.

The National Association of Home Builders (NAHB) said its index measuring home builder perceptions of the new home market climbed back above the key level of 50 this month. The NAHB/Wells Fargo Housing Market Index rose 3 points to 51, the highest level since July 2023 and the first time it has surpassed the 50 mark since last July. NAHB economist Robert Dietz said builders are responding to the strong demand for housing and mortgage rates which are below the peak reached last fall.



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## NAHB/Wells Fargo Housing Market Index



The HMI survey asks builders for their perception of current single-family home sales, sales expectations for the next six months, and current traffic of prospective builders. The scores for each component form an index where any number over 50 indicates that more builders view conditions as good than poor.

All three indices posted gains in March. The HMI index charting current sales conditions increased 4 points to 56, the component measuring sales expectations in the next six months rose 2 points to 62 and the component gauging traffic of prospective buyers increased 2 points to 34.

Dietz also noted that the slightly lower rates are allowing builders to cut back on discounting to boost sales. In March, 24 percent of builders reported cutting home prices, down from 36 percent in December 2023 and the lowest share since July 2023. However, the average price reduction in March held steady at 6 percent for the ninth straight month. Meanwhile, the use of sales incentives is holding firm. Sixty percent of builders offered some form of incentive in March. That share has remained between 58 percent and 62 percent since last September.

Looking at the three-month moving averages for regional HMI scores, the Northeast increased 2 points to 59, the Midwest gained 5 points to 41, the South rose 4 points to 50 and the West registered a 5-point gain to 43.

The Census/HUD report estimates there were 1.666 million residential units under construction at the end of February, 683,000 of them single-family houses. In addition, builders have a backlog of 270,000 permits including 141,000 for single-family residences.

Starts in the Northeast region were down 10.3 percent from January but 16.2 percent higher than the previous February. Permits rose 36.2 percent from January and surged 79.6 percent compared to February 2023.

The Midwest saw gains of 16.4 percent from the prior month and 23.2 percent for the year. Permits increased by 3.8 and 14.9 percent.

Housing starts jumped 15.7 percent and 11.5 percent from the two earlier periods in the South. Permitting dipped by 1.3 percent from January and 5.1 percent for the year.

The West lost ground, with starts falling 7.9 percent and 10.8 percent for the month and the year respectively. Permits were also lower, by 6.8 and 11.2 percent.