



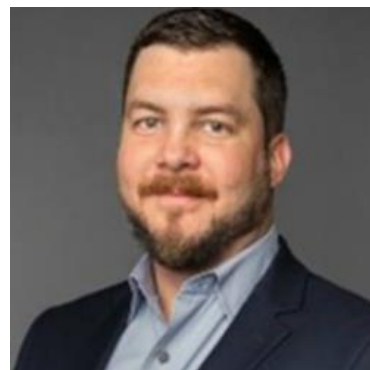
Building Permits Staying Fairly Calm as Housing Starts Whipsaw

The Census Bureau released its New Residential Construction report this week, frequently referred to by its principal component "housing starts" (a term for the start of the first phase of new home construction). In addition to housing starts, the data also logs building permits as well as completions.

There's not always a perfectly linear correlation between the various metrics for a variety of reasons. Some permits never turn into construction, for instance. Sometimes there's a backlog of permits waiting on materials, labor, or weather before construction can begin.

In general, building permits remain more even-keeled while housing starts gyrate. The past three reports have been a good example of this. During that time, building permits have barely budged at an annualized pace of 1.49m, 1.48m, and 1.48m in Nov, Dec, and Jan respectively. Meanwhile, housing starts have whipsawed from 1.305m to 1.515m and now back down to 1.366m.

Using "millions" as a unit number makes it easy to overlook the fact that we're talking about a swing in this year's national housing availability of a whopping 149k units. But even then, such a swing doesn't necessarily look too troubling in the bigger picture.



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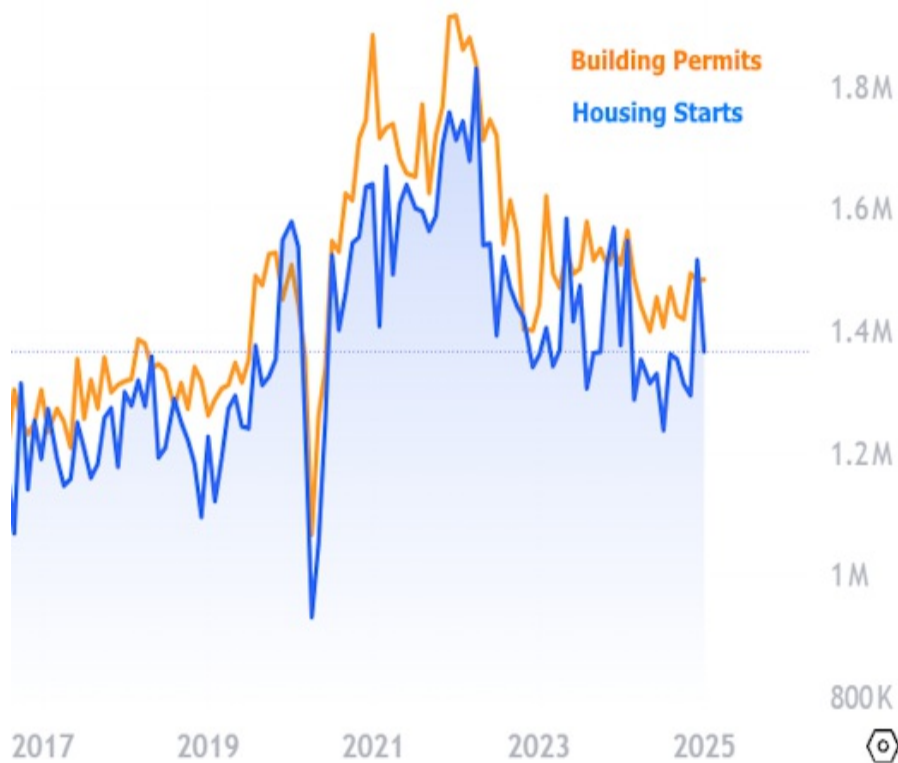
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Housing completions suggest an even lower cause for concern of the trajectory of construction.



Regionally, the biggest decline in percentage terms was in the Northeast (-27.6%). But in terms of outright units, the South led the decline with a drop of 207k. Contrast that to the Northeast's unit count only declining by 40k.

The West region tried to pick up the slack with a 42.3% rebound (119k units). The Midwest dropped 9.2% (21k units).