

U.S. Data Review

- Housing starts: brisk rebound from weather-constrained results

Michael Moran

Daiwa Capital Markets America
 212-612-6392
 michael.moran@us.daiwacm.com

Housing Starts

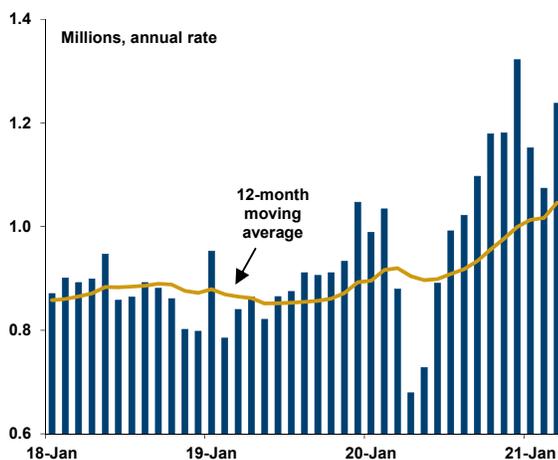
Total housing starts surged 19.4 percent in March, easily beating the expected increase of 13.5 percent. In addition, the jump in March occurred from upward revised levels in the prior two months, with total starts in January and February combined 3.1 percent firmer than previously believed. The robust advance in March to a large degree reflected swings in the weather, as severe conditions constrained activity in February only to rebound in March. Still, the new totals signaled firm conditions, as the average of the past two months was close to the vigorous results in December and January and above all other observations in recent months.

Both single-family and multi-family activity contributed to the gain in March with increases of 15.3 percent and 30.8 percent, respectively. The jump in multi-family starts pushed new construction to its highest level since the onset of the pandemic, although it lagged the best readings before the virus became an issue (chart, right). The multi-family sector often moves erratically, and the recent advance probably contains a strong element of noise, but the jump also suggested that activity is being well maintained.

The increase in single-family starts pushed activity to the second best reading in the current cycle (exceeded only by the spike in December) and above all observations in the previous expansion (chart, left). Low interest rates have stirred demand for housing, and so too has the pandemic. The potential for working from home and away from crowded center cities seems to have increased demand for single-family housing.

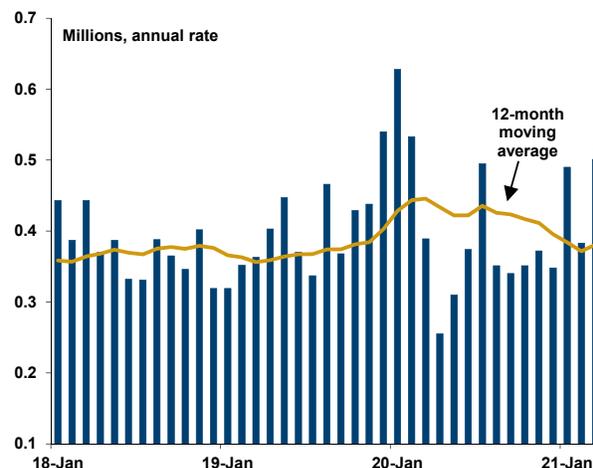
Building permits tend to be less weather-sensitive than starts, and that was the case in this instance, as permits rose only 2.7 percent. However, authorizations did not plummet in February, and thus the new level reinforced the upward trend that has developed and suggested continued firm activity.

Single-Family Housing Starts



Source: U.S. Census Bureau via Haver Analytics

Multi-Family Housing Starts



Source: U.S. Census Bureau via Haver Analytics

This report is issued by Daiwa Securities Group Inc. through its relevant group companies. Daiwa Securities Group Inc. is the global brand name of Daiwa Securities Co. Ltd., Tokyo ("Daiwa Securities") and its subsidiaries worldwide that are authorized to do business within their respective jurisdictions. These include: Daiwa Capital Markets Hong Kong Ltd. (Hong Kong), regulated by the Hong Kong Securities and Futures Commission, Daiwa Capital Markets Europe Limited (London), regulated by the Financial Conduct Authority and a member of the London Stock Exchange, and Daiwa Capital Markets America Inc. (New York), a U.S. brokerdealer registered with the U.S. Securities and Exchange Commission, a futures commission merchant regulated by the U.S. Commodity Futures Trading Commission, and a primary dealer in U.S. government securities. The data contained in this report were taken from statistical services, reports in our possession, and from other sources believed to be reliable. The opinions and estimates expressed are our own, and we make no representation or guarantee either as to accuracy, completeness or as to the existence of other facts or interpretations that might be significant.