



# Economics Group

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## Housing Starts Finally Rebound

**After weakness throughout the winter months, housing starts and permits bounced back in April. Both starts and permits grew to a 1.14 million unit pace, a new cycle high.**

### Finally a Bounce Back

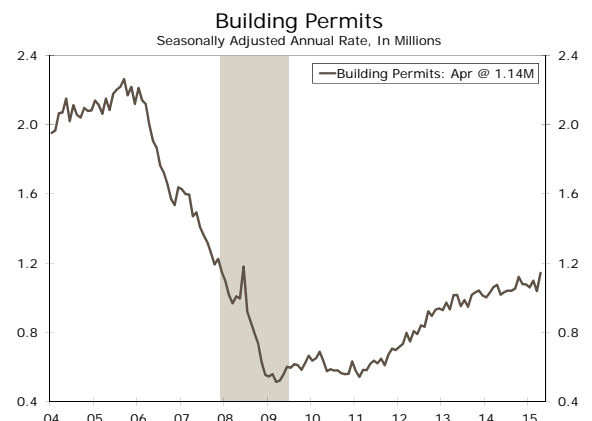
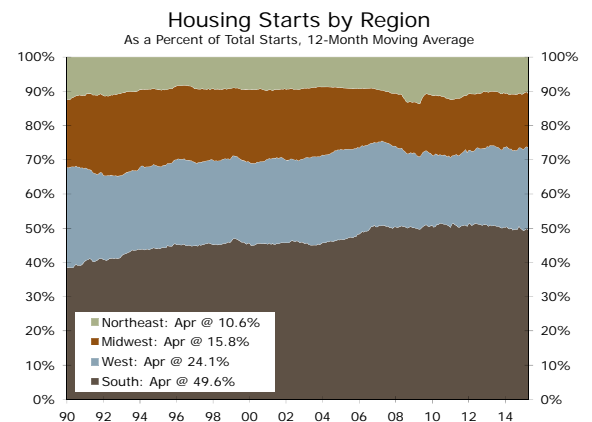
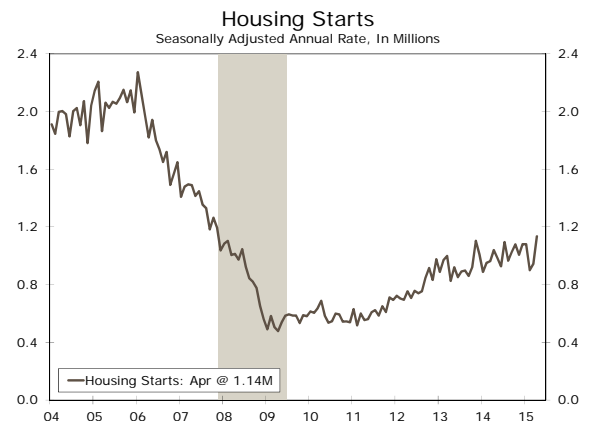
After another harsh winter, March housing starts barely bounced back, adding to fears that weakness in the housing market and the broader U.S. economy may have more than the winter weather to blame. April's report has put those fears to rest, with housing starts surging 20.2 percent in the month. At a 1.14 million unit annualized pace, housing starts are running at a rate not seen since November 2007. The rebound in the month was evident in both the single-family and multifamily markets, the latter jumping 27.2 percent in April alone.

Although the reading for April came in better than expected, this comes on the heels of a very weak start to the year. We do expect ongoing improvement in residential construction, but it will continue at a more modest pace than this month's report may suggest. The surge in April is making up for those builders that were thwarted by another winter plagued with severe weather. The Northeast, which faced the brunt of this year's winter weather, saw housing starts surge 85.9 percent in the month and are now 52.1 percent higher than a year earlier. The Midwest and the West Census regions also posted huge gains in the month, but the South, which is by far the largest region in terms of residential construction, actually fell in the month. The South, however, was not nearly as heavily impacted as the Northeast in terms of weather, and housing starts in the South remain a steady 3.5 percent higher than a year ago. Furthermore, permits issued in the South jumped 9.9 percent in the month, suggesting that the monthly weakness should be short lived.

### More Homebuilding on the Horizon

There are plenty of positive signs for the future of homebuilding. The most immediate and prominent one comes from the 10.1 percent gain in building permits also seen in April. Year to date, permits are running ahead of starts, suggesting that more housing starts should be coming down the pipeline. In addition, the number of housing units that were authorized but not yet started is 19.6 percent higher than a year ago.

Other signs of positive momentum continue to come to light. The National Association of Homebuilders and Wells Fargo released their homebuilder confidence index yesterday for May and, although it fell for the month, it remains well above year-ago levels and expectations for future sales continue to rise. In addition, new home sales, which include single-family homes only, have also seen upward momentum lately after moving sideways for much of the recovery. The rebound in sales has pushed the months' supply of new homes lower recently and provides another tailwind for homebuilders.



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