New York • London • Boston • Chicago
DECISION ECONOMICS, INC.
Information for Decisions™

New York: 212 884 9440
London: 011 44 20 7814 6706
Boston: 617 994 0500
Email: decisioneconomics@pdeeco.com

Pierre Ellis

March 20, 2012

Housing Starts: How significant?

February housing starts are weaker than expected, both because of an undershoot in the headline number, which declined 1.1% (Consensus: +0.1%; Decision Economics: +1.9%) from a prior-month level revised up by 1.0%, but because there was major weakness in the single-family sector, with starts there down 9.9% from an essentially unrevised January level.

The overall total was propped up only by a 34.5% jump in the multi-family sector--pointing to production growth as legitimate as would occur with single family starts, but not offsetting the negative signal of broader-economy significance given by the apparent weakening in single-family demand.

There is some possibility that the single-family decline represents a payback for weather-boosted strength in January and December, but the message would still be that average starts were fewer than thought over the last few months.

The bad news would be if this pointed to a weaker-than-perceived improving trend in the overall new- and existing-home market--giving less hope for a bottoming in prices. The jury is still out on that issue, since the single family sector is minute nowadays, and probably does not give a reading representative of the full-market trend. But, single-family strength would obviously be more encouraging.

Fed doves will cry out harder for action targeted at the housing sector, but hawks will remain solidly convinced that it is inappropriate in principle and becomes no less so with the very uncertain indication today.

© 2012 Decision Economics, Inc. All rights reserved. Reproduction in whole or in part without the written permission of the copyright owner is prohibited.