

Datanote: U.S. Housing Starts, April

In one line: Recovery in housing construction running out of steam

- Housing starts rose to 1,360K in April, from a downwardly revised 1,287K, below the consensus, 1,421K.
- Building permits dipped to 1,440K in April, from a downwardly revised 1,485K, also well below the consensus, 1,480K.

We were expecting much stronger starts in April, partly because the initial March print was much higher than today's revised number, but also because starts tend to drop in March then rebound in April when Easter falls in March. Given the near 17% plunge in starts in March, April's 6% recovery looks anemic. Moreover, all the recovery in starts in April was due to a rebound in the volatile multi-family sector, with single-family starts nudging down a bit further.

The housing starts data are very volatile but the permits provide a more stable read of the underlying trend, and their fall in April was a surprise. We think multi-family permits will stabilize from here, after dropping sharply from late 2022 onwards, as private measures of rental growth are no longer falling in annual terms, as shown by our final chart. But the further dip in single-family permits in April looks like the start of a new downtrend.

The recovery in single-family construction over the past year or so, despite the collapse in overall mortgage demand, is remarkable and reflects the acute lack of existing homes for sale, which is pushing more buyers than usual into buying new homes. But the combination of rebounding mortgage rates since the start of the year and recent declines in consumer confidence are likely starting to take a toll. Although we expect mortgage rates to drop back significantly across the later

spring and summer, we think this will be accompanied by a marked deterioration in the labor market. That would be bad news for housing demand, even if rates retreat. If total housing starts are now flat through June at the April level, they will fall by a bit more than 10% annualized in Q2 as a whole.

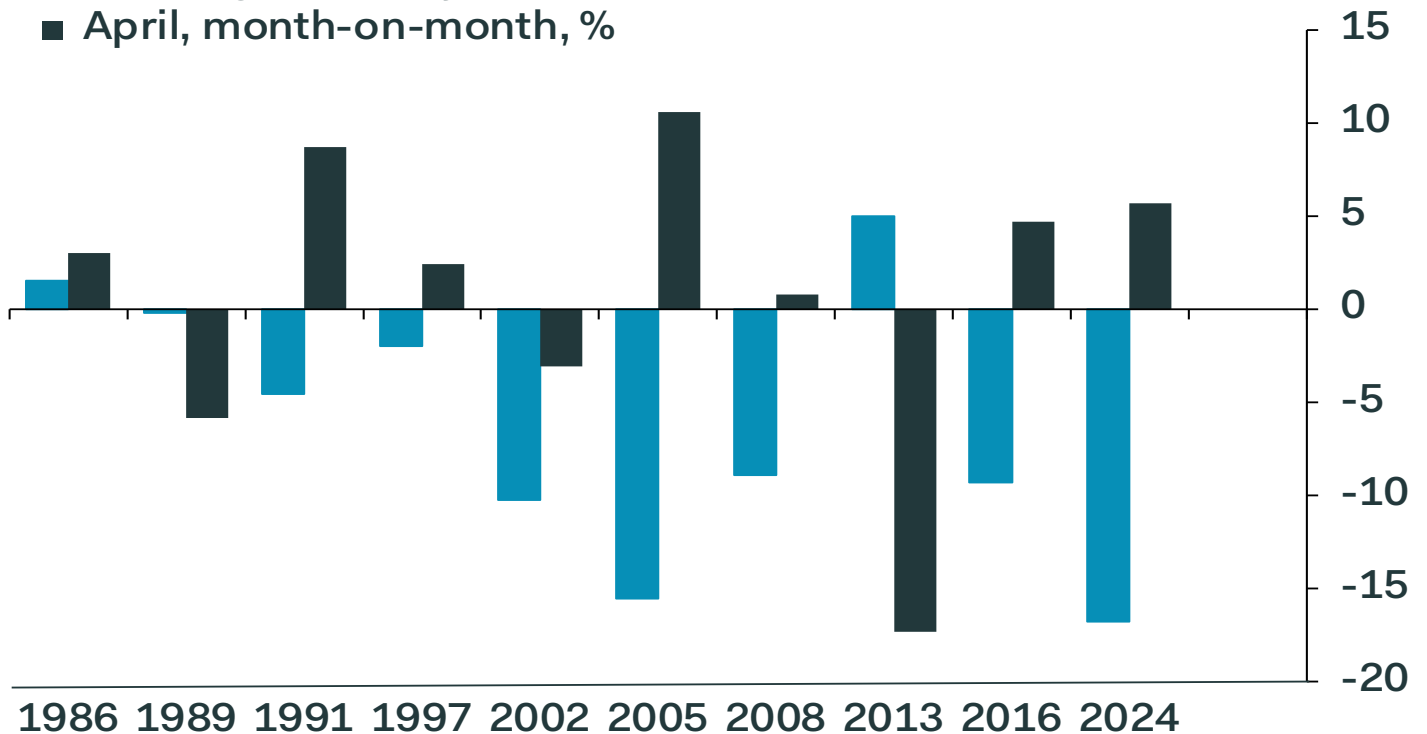
— Total building permits, millions, advanced one month (Left)

◆ Total starts, millions (Right)



■ Housing starts in years when Easter falls in March, m/m%

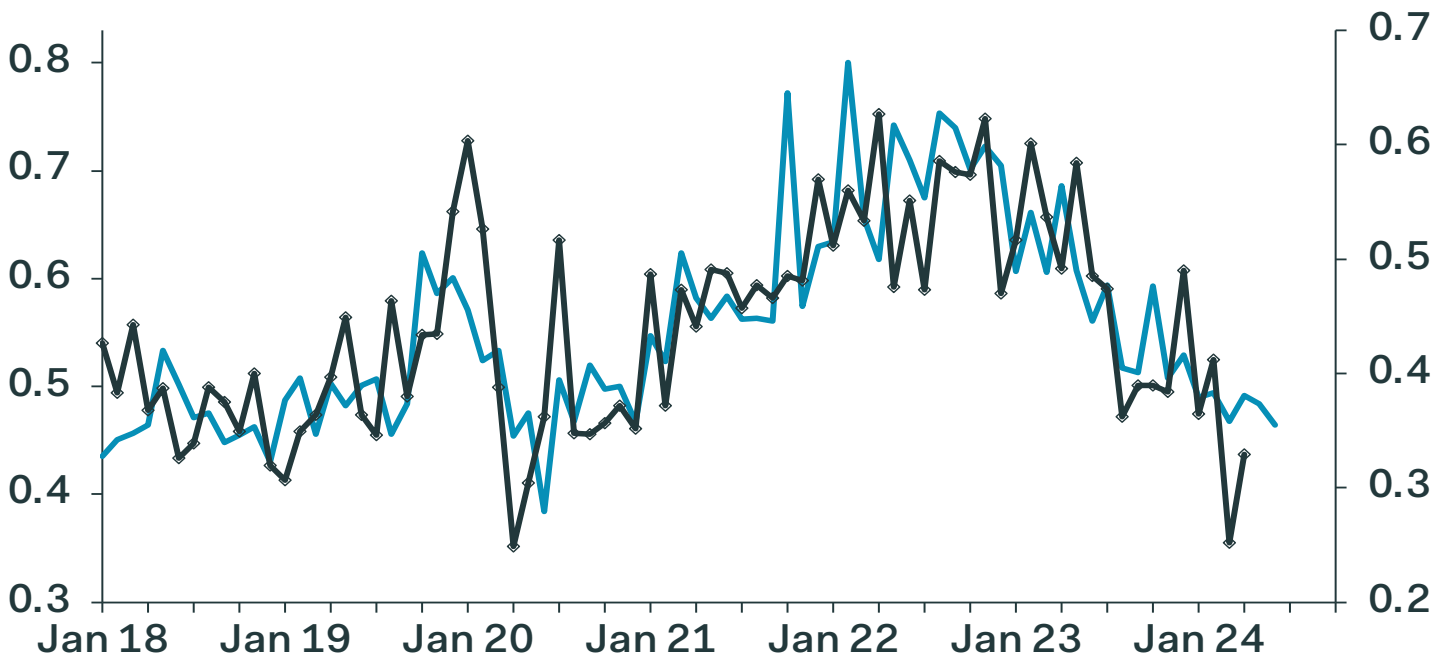
■ April, month-on-month, %



— Single-family building permits, millions, advanced one month (Left)
 — Single-family housing starts, millions (Right)



— Multi-family building permits, millions, advanced two months (Left)
 — Multi-family housing starts, millions (Right)



— Zillow observed rent index, y/y%, advanced five months (Left)

— Multi-family building permits, millions, three-month average (Right)

