HIGHLIGHTS

• Housing starts went from an annualized 910,000 units in January (revised from 890,000) to 917,000 in February. This 0.8% rise follows the previous month’s 7.3% tumble.

• The increase in starts on single-family dwellings (+0.5%) is similar to the rise in multi-unit housing (+0.7%).

• The growth primarily comes from the Northeast (+18.4%) and Midwest (+37.5%); starts fell in the Southern and Western United States.

• Annualized building permits went from 904,000 in January to 946,000 in February, up by 4.6%.

COMMENTS

The rise of just 0.8% by housing starts is a little disappointing. Note, however, that January’s dip was not as big as previously announced. As a result, February’s housing starts are slightly ahead of the consensus expectation. It is still well below the 982,000 starts recorded in December, which represented a peak that dated back to June 2008.

We can expect new construction to keep growing for the months to come. The first indication of good future growth is the large, nearly 5% jump by building permits which, in February, hit their highest point since spring 2008. While building permits are up by 33.8% over the last year, housing starts have increased 27.7% over the same period. We can therefore expect them to accelerate shortly. There is one dark spot in the picture, however: after improving for several consecutive months, the homebuilder confidence index has been sliding for the last two months.

Implications: January’s retreat by housing starts and February’s modest growth should be construed as a temporary dip in momentum after the strong growth shown at the end of 2012. The housing market should therefore continue to advance throughout 2013, despite slightly shakier homebuilder confidence. Residential investment should make solid contributions to real GDP growth in the coming quarters.