

# **Housing Starts** **in January 2008**

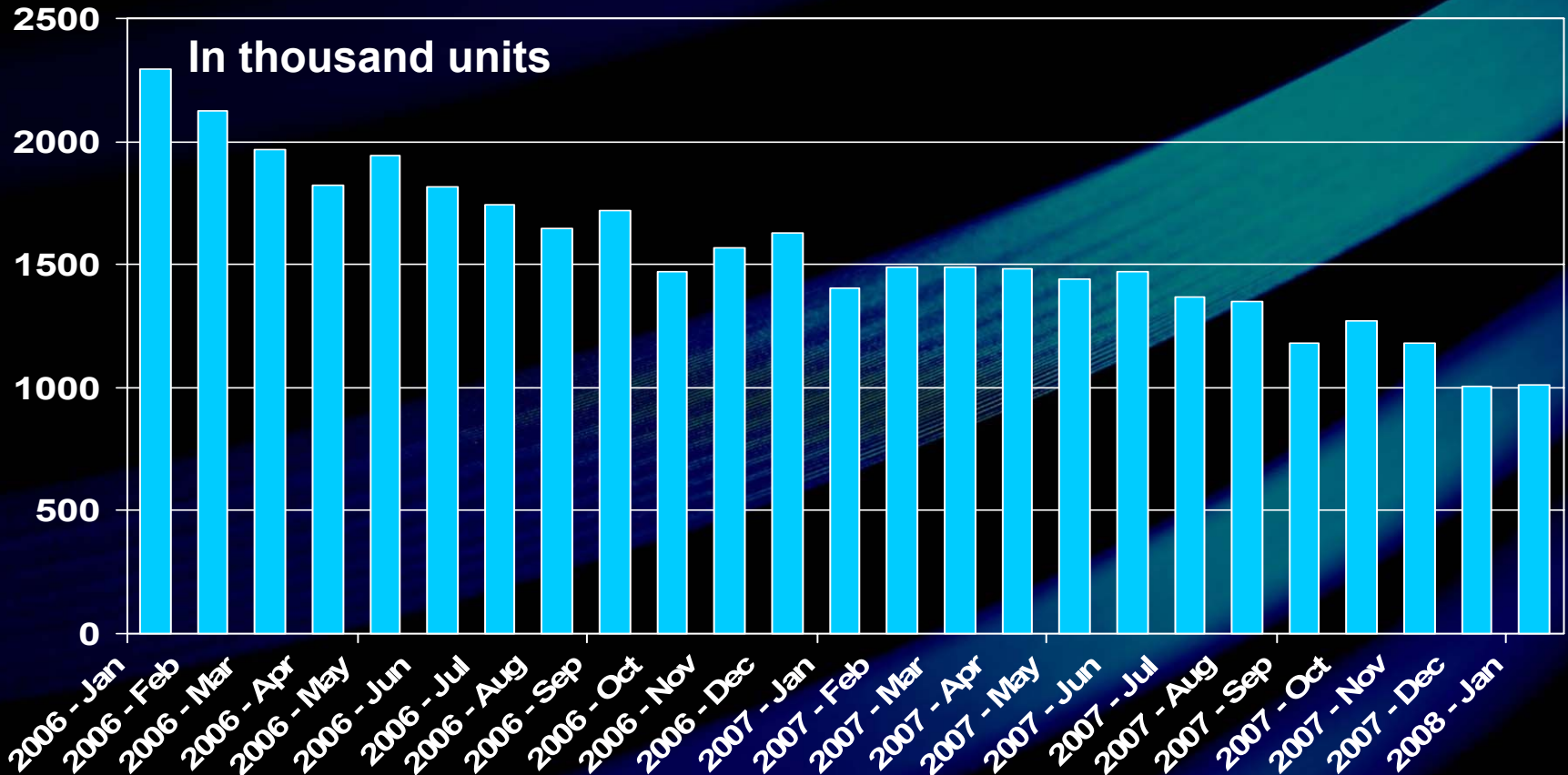
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**NAR Research**

**Data Released: 2-20-2008**

**Data Source: Census and HUD**

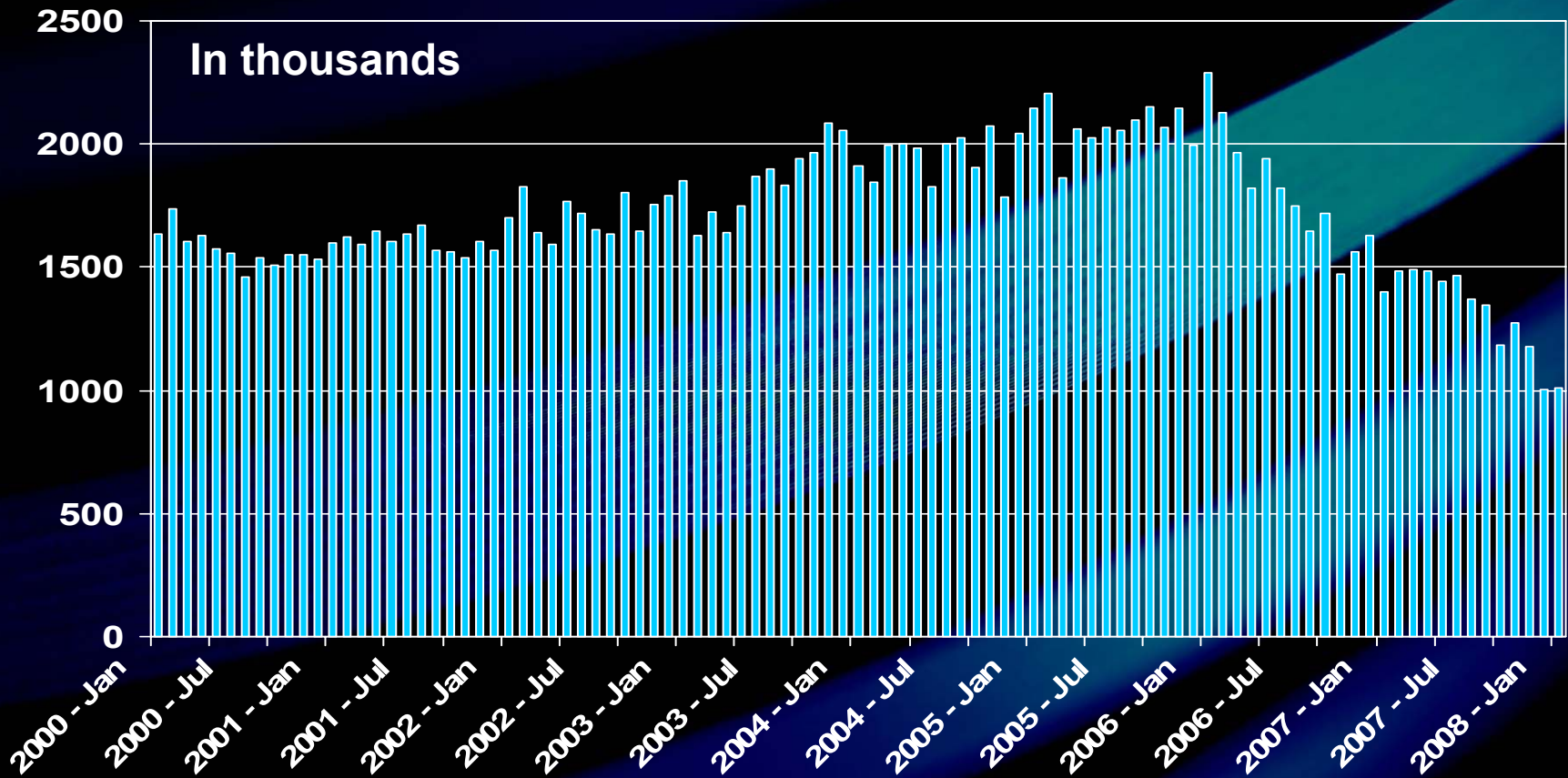
# Monthly Housing Starts 2006 to Current



- Starts stopped (for now) with a 0.8% gain. They are still down 27.9% from a year ago.
- Compared to 2005, the current activity has been cut by more than half.
- The gain was entirely in the multifamily units. Single-family starts continue to fall.

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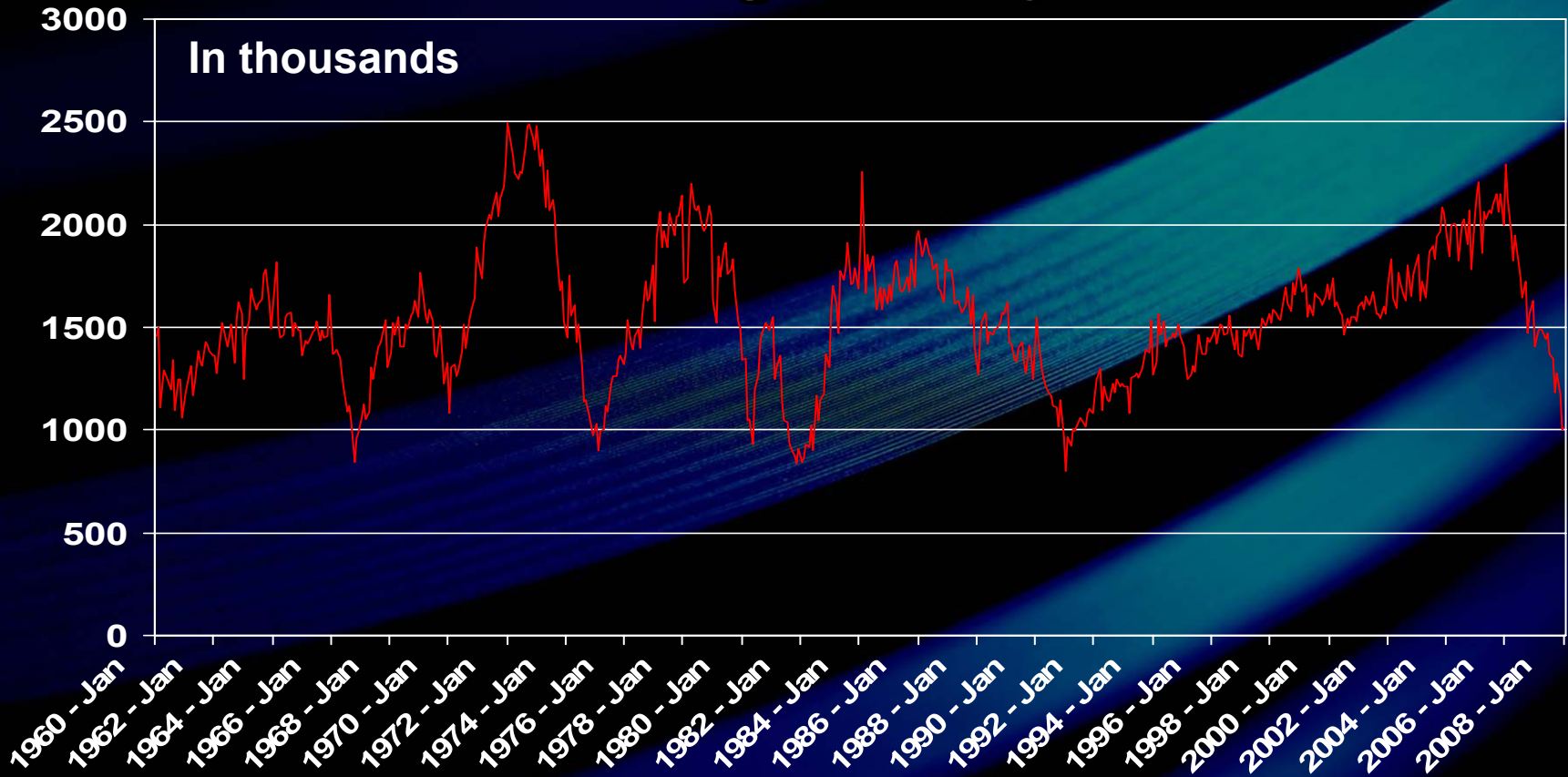
## 2000 to Current



- Steady rises during the market boom (with strongly rising home prices) from 2000 to 2005.
- Sharp declines in the past two years; declines are needed due to high inventory
- More cutbacks are encouraged to better help stabilize the housing market.

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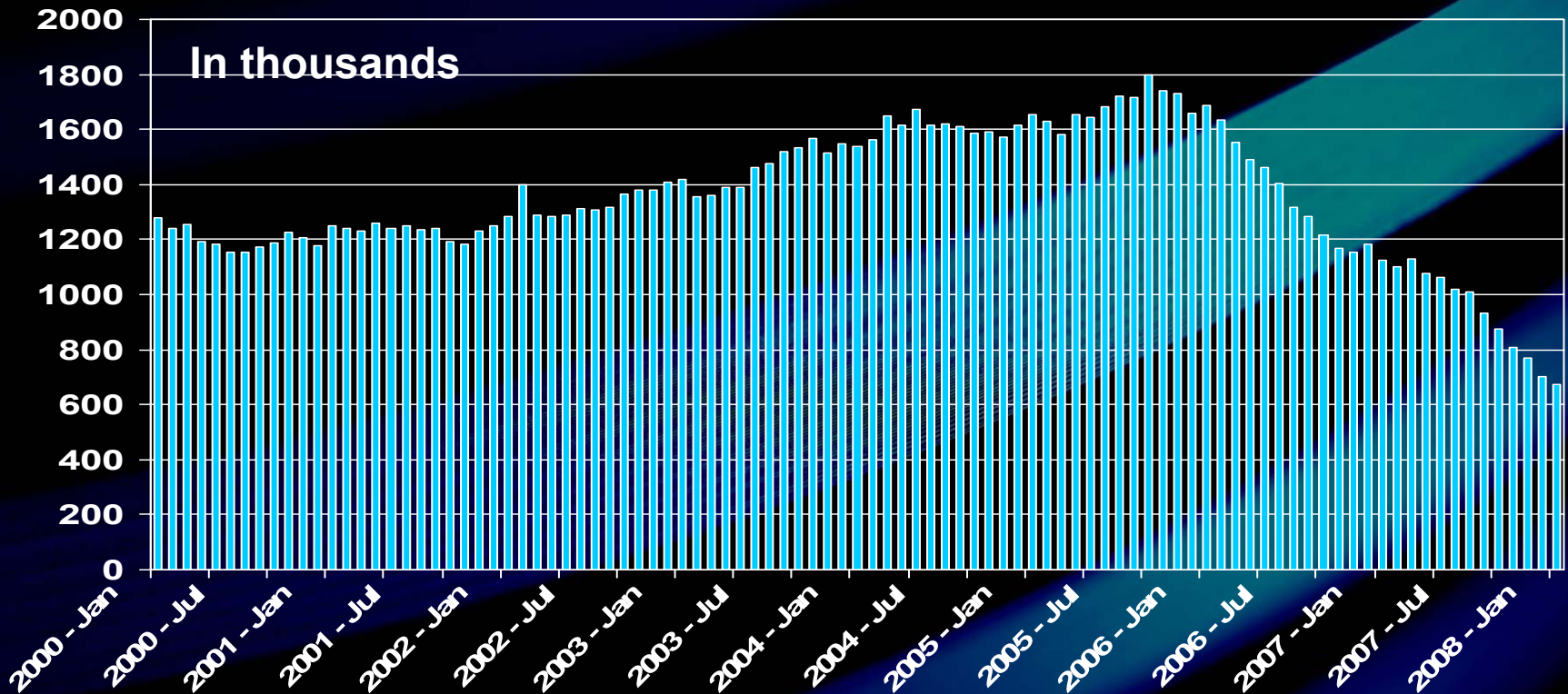
## Long History



- Baby boomers were forming households in 1970s
- Declines in starts in the past were accompanied by rising interest rates
- The current decline is unique in that interest rates are at historic lows
- Recent slowdown in household formation to 731,000 in 2007 (from a year ago) is puzzling. Household formation generally rises by 1.2 million or higher.

# Housing Permits for Single-family Units

## 2000 to Current



- Housing permits for single-family units – a leading indicator for future starts – are declining fast and it is a good thing to better help control inventory
- Decline in new home construction will, however, hold back GDP growth as job cuts will continue in the residential construction sector
- The latest figure of 673,000 is down 40% from a year ago.

# Summary

- Total housing starts increased 0.8% in the latest month
  - Single-family units fell to 743,000 from 784,000
  - Multifamily units rose to 269,000 from 220,000 over the one month period
- The multifamily units are bouncing back a bit. Condo market is challenged, but apartments are doing fine because apartment rents have been rising 4% year-over-year.
- Housing permits, generally reliable future indicator for housing starts, fell again on single-family units to 673,000 – the lowest in since early 1990s.
- For the economy, a decline in construction activity hurts economic growth. However, for the housing market the cutbacks in production are needed in the current high inventory conditions. New home inventory on the market has been sliding down over the past year but still remain elevated. Further cutbacks are welcomed to bring down inventory at which point home prices can strengthen. Rising home prices will lessen foreclosures.
- The forecast is for a continuing weakening in starts on single-family units through the end of 2008.