

Housing Starts Surged in February, With Smaller Increase in Permits; Homebuilding Adding to Growth in 2024

- **Housing starts increased 10.7% in February from January, with single-family starts up 12%.**
- **Housing permits rose 1.9% on the month, with increases for both single-family and multifamily.**
- **Activity generally softened in the West in February, but was up in the other regions.**
- **PNC expects homebuilding activities to rebound with easing mortgage rates in 2024.**

Total privately-owned U.S. housing starts in February rose 10.7% to 1.521 million annualized units, from 1.374 million in January 2024 (revised upward from 1.331 million), higher than the consensus expectation of 1.440 million. Single-family housing starts increased 11.6% to 1.129 million annualized units, while multifamily starts were up 8.3%. Starts fell in the West and Northeast over the month, but rose 40% in the Midwest and 16% in the Southeast, in part due to favorable weather.

Residential construction permits increased 1.9% in February to 1.518 million at a seasonally-adjusted annualized rate, with a small downward revision to January. There were modest increases in both single-family (1%) and multifamily (4%) permits over the month. On a year-over-year basis total permits were up 2.4%, with single-family housing permits up 30% and multifamily permits down 29%. Permits were soft in the West, dropping 7% on the month and 11% on the year.

Housing completions jumped 19.7% on the month to 1.729 million (SAAR), with increases in all regions except the West. This was the largest number of houses completed in one month since 2006.

Homebuilder confidence marched higher in March, rising for a third consecutive month, according to the National Association of Homebuilders. Housing affordability is improving with the 30-year fixed mortgage rate as of March 14 down to 6.7% from its peak of 7.8% last year. The rise in homebuilder confidence, together with a gradual improvement in housing affordability, will continue to provide support for the housing market, with new construction trying to fill a gap with low resale inventories. Growth this year will come on the single-family side, with multifamily construction softer as the market adjusts to a big increase in multifamily construction since the pandemic. Over the longer run, however, limited supplies of single-family homes will support multifamily building.

PNC's baseline forecast is for continued US economic growth in 2024 with easing inflation, avoiding a near-term recession. Residential construction will be a positive for economic growth this year.

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