

Economic Analysis

# Housing Rebound Elusive in March

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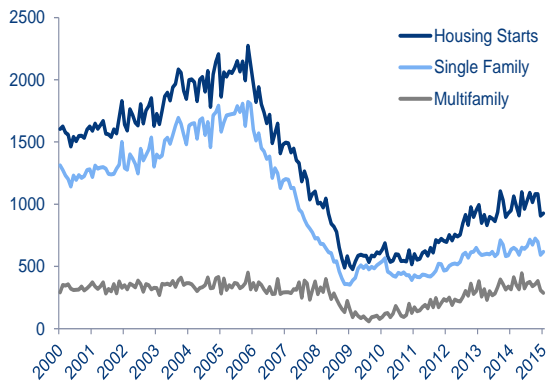
- **Housing starts rise 2.0% against higher expectations**
- **Building permits decline 5.7%, signaling lower growth in starts over the short-term**
- **As winter weather effect subsides, acceleration is expected in the second quarter**

Against general consensus pointing towards a recovery, housing starts only increased slightly to 926K on a seasonally-adjusted annualized basis, a monthly rise of 2% from February. In addition, new applications for building permits, an indicator of future construction activity, disappointed as they fell 5.7% MoM in March to 1039K. From a year earlier, housing starts were down 2.5%, while building permits were up 2.9%. Expectations for higher increases in housing starts and permits had stemmed from rising mortgage applications and strong new home sales, which surged to a seven-year high in February.

Regionally, the Northeast experienced the largest monthly gain in housing starts—a whopping 114.9%, which was almost certainly due to the onset of spring weather. Warmer weather also played a role in the Midwest’s gain of 31.3%. The South and the West were less fortunate however, and declined 3.5% and 19.3%, respectively. By structure, starts on single-family units, representing two-thirds of the market, climbed 4.4% nationwide, while multifamily units, including apartments and condominiums, fell 2.5%.

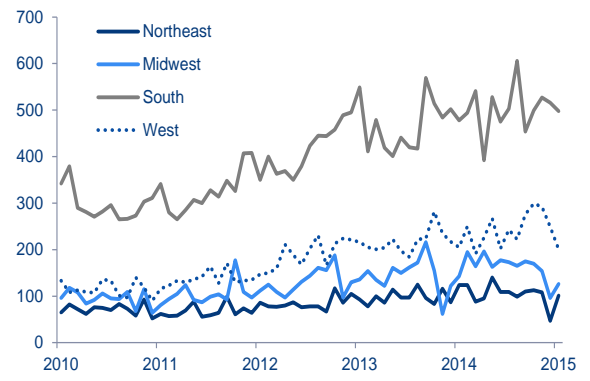
The continued struggling of the housing market is likely due to lingering effects of winter weather. Although housing construction and sales are often hindered by severe weather conditions, permits should be mostly unaffected by climate. Therefore March’s decline in permits is concerning as it could be an indication of slower building activity over the near future.

Chart 1  
**Housing Starts, Single and Multifamily Structures (Thous)**



Source: US Census Bureau & BBVA Research

Chart 2  
**Housing Starts by Region (Thous)**



Source: US Census Bureau & BBVA Research

Despite March's disappointing housing starts report, the outlook for the second quarter is still optimistic. The housing market index released yesterday points to spring strength with a reading of 56, signaling that builders generally hold a favorable view of the market for newly built, single-family homes. Another cause for optimism is the mortgage applications index, also released yesterday, which was up 7% YoY, again predicting strength for the spring housing market.

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