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Contact: Donna Reichle

(202) 266-8473

dreichle@nahb.com

www.nahb.org

HOUSING STARTS SHOW SIGNS OF COOLING IN FEBRUARY

WASHINGTON, March 16—Following the warmest January on record that helped spur a 16 percent jump in new-home construction, the housing market showed signs of cooling in February, with total housing starts down 7.9 percent for the month to a seasonally adjusted annual rate of 2.12 million.

Single-family home construction dipped 2.3 percent to 1.8 million units. Multifamily starts fell 30.4 percent to 320,000 units after posting an unsustainably high level of 460,000 units in January.

“The underlying market fundamentals remain solid,” said David Pressly, president of the National Association of Home Builders (NAHB) and a home builder from Statesville, N.C. “Job and income growth are moving ahead at healthy levels. Today’s starts numbers are another indicator that points towards an orderly cooling down process for the housing market in 2006.”

“So far this year, housing starts have received a boost from unusually mild winter weather, even in February, and we expect to see these numbers move further down in the months ahead,” said NAHB Chief Economist David Seiders. “Indicators that measure housing demand – home sales, applications for home mortgages and our own survey of single-family builders – show that the cooling process has begun. Furthermore, single-family permits, which are less affected by weather than single-family starts, have been trailing down gradually from their highs last fall.”

Seiders added that the evolving slowdown is actually a healthy development and should not lead to any major contraction in the housing markets.

“Last year’s record-level of housing starts and double-digit price appreciation were unsustainable, and encouraged many investors and speculators to enter the market,” he said. “With demand slowing, we expect to see price appreciation also falling back into the single-digit range, and that will discourage short-term speculators from jumping into the market. We anticipate another solid year for housing in 2006, with new-home construction and new home sales down about 7 percent from last year’s all time highs.”

Regionally, construction of new homes and apartments for the month was down 23.5 percent in the Northeast, 10.4 percent in the Midwest and 11.2 percent in the South. Starts posted a 7.9 percent gain in the West.

Issuance of total building permits fell 3.2 percent to a seasonally adjusted annual rate of 2.145 million units in February. Single-family permit issuance was down 3 percent to 1.639 million units while multifamily permit issuance registered a 1.1 percent gain to 532,000 units.

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ABOUT NAHB: The National Association of Home Builders is a Washington-based trade association representing more than 225,000 members involved in home building, remodeling, multifamily construction, property management, subcontracting, design, housing finance, building product manufacturing and other aspects of residential and light commercial construction. Known as “the voice of the housing industry,” NAHB is affiliated with more than 800 state and local home builders associations around the country. NAHB's builder members will construct about 80 percent of the more than 1.93 million new housing units projected for 2006, making housing one of the largest engines of economic growth in the country.