

APRIL HOUSING STARTS

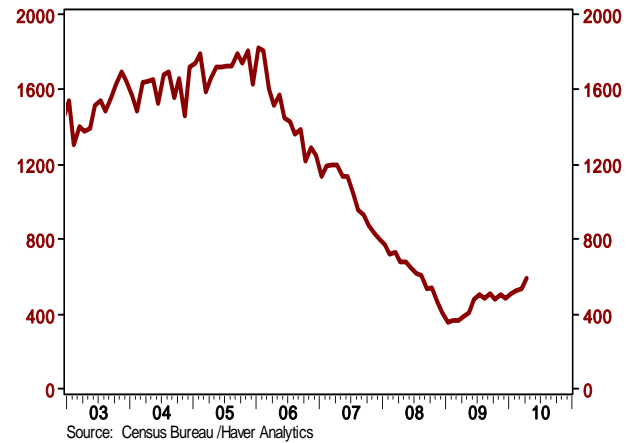
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- Housing starts increased 5.8% in April to 672,000 units at an annual rate, beating the consensus expected 650,000 pace. Starts are up 40.9% versus the cycle low one year ago.
- Single-family units increased 10.2% in April and are up 53.6% in the past year. Multi-family starts, which are volatile from month to month, declined 18.6% in April after a 24.4% gain in March.
- Starts increased in the Northeast, Midwest, and South, but declined in the West.
- New building permits declined 11.5% in April to a 606,000 annual rate, falling well short of the consensus expected pace of 680,000. Still, permits are up 15.9% versus a year ago with permits for single-family units up 22.5%.

Implications: Home building is now clearly in recovery. While there may be a temporary and minor dip in the months ahead due to the expiration of homebuyer tax credit, we think the housing market has turned the corner and will survive this, as well as any shrinkage of the Fed's balance sheet or any rate hikes that may come in the years ahead. Single-family housing starts – which are more stable than multi-family units – are up four months in a row to a level 54% higher than a year ago. They are also exceeding completions. As a result, for the first time since the housing bubble burst in 2005, the number of single-family homes under construction are up four months in a row. This should translate into more jobs in the home building sector as 2010 unfolds. Building permits fell in April, but remain 16% higher than a year ago. We anticipate permits will rebound next month. While inventories remain high in the housing market, we do not believe they will derail the housing recovery. First, even though home building is on the rise, it is still so slow that inventories can still be worked off. Second, inventories remain concentrated in very specific states and cities. Outside of those areas, inventory levels are significantly lower. In other recent news, the Empire State Index, a measure of manufacturing in New York, slipped to +19.1 in May from +30.0 in April. Although down, the index still signals acceleration in the factory sector, just not quite as rapid an acceleration as in April.

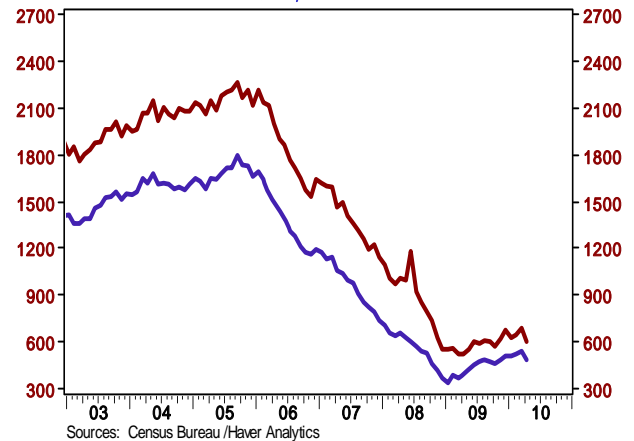
Single Family Housing Starts

SAAR, Thous. Units



Building Permits
SAAR, Thous. Units

Single-Family Permits
SAAR, Thous. Units



Housing Starts SAAR, thousands	Monthly % Ch.	Apr-10 Level	Mar-10 Level	Feb-10 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	5.8%	672	635	605	637	615	40.9%
Northeast	23.9%	83	67	72	74	70	66.0%
Midwest	16.7%	105	90	105	100	99	25.0%
South	7.0%	367	343	285	332	323	59.6%
West	-13.3%	117	135	143	132	124	3.5%
Single-Unit Starts	10.2%	593	538	527	553	527	53.6%
Multi-Unit Starts	-18.6%	79	97	78	85	88	-13.2%
Building Permits	-11.5%	606	685	650	647	645	15.9%
Single-Unit Permits	-10.7%	484	542	523	516	511	22.5%

Source: U.S. Census Bureau