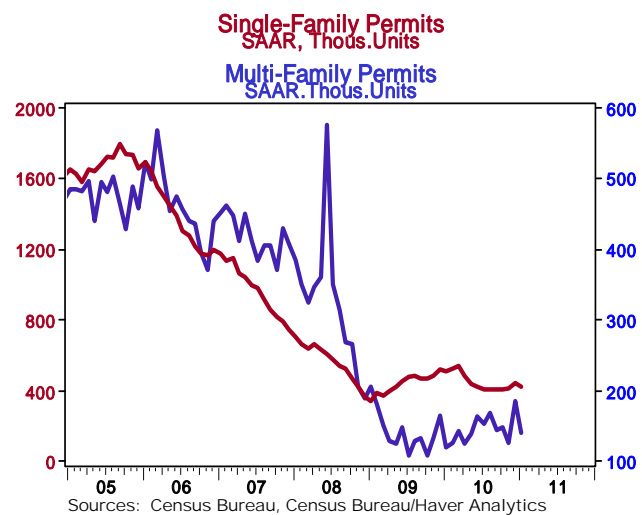
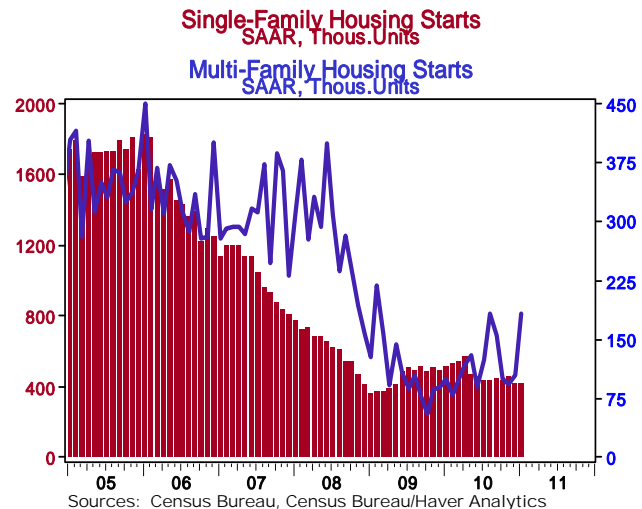


JANUARY HOUSING STARTS

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- Housing starts soared 14.6% in January to 596,000 units at an annual rate, well ahead of the consensus expected pace of 539,000. Starts are down 2.6% versus a year ago.
- All of the increase in January was due to a 77.7% spike in multi-family starts, which can be extremely volatile from month to month. Single-family starts fell 1.0% and are down 19.2% versus a year ago.
- Starts increased in the South, Midwest, and Northeast, but declined in the West.
- New building permits fell 10.4% in January to a 562,000 annual rate, coming in slightly above the consensus expected pace of 559,000. Permits are down 10.7% versus a year ago with permits for single-family units down 17.3%.

Implications: Despite unusually severe winter weather throughout much of the country, housing starts surged in January, easily beating consensus expectations and reaching the highest level in four months. However, all of the increase was due to a 77.7% spike in multi-family units, which are extremely volatile from month to month. Look for multi-family starts to drop next month, closer to the recent trend. That said, the general trend in multi-family units should continue to go higher given the movement away from owner-occupancy and toward rental occupancy. The rental vacancy rate dropped to 9.4% in late 2010, the lowest level since 2003. Meanwhile, as multi-family starts were surging, single-family starts fell 1% in January, with declines in the South and Northeast offsetting gains in the Midwest and West. The total number of homes under construction was unchanged in January and the number of home completions fell. This is part of the necessary process of clearing out the excess inventory of homes. As housing inventories are cleared out, home construction will pick up to meet demand. We expect overall housing starts to gradually trend higher in 2011.



Housing Starts SAAR, thousands	Monthly % Ch.	Jan-11 Level	Dec-10 Level	Nov-10 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	14.6%	596	520	548	555	569	-2.6%
Northeast	41.8%	78	55	77	70	73	11.4%
Midwest	36.4%	90	66	109	88	95	-1.1%
South	15.8%	307	265	265	279	282	-5.8%
West	-9.7%	121	134	97	117	120	-3.2%
Single-Unit Starts	-1.0%	413	417	455	428	433	-19.2%
Multi-Unit Starts	77.7%	183	103	93	126	136	81.2%
Building Permits	-10.4%	562	627	544	578	567	-10.7%
Single-Unit Permits	-4.8%	421	442	417	427	415	-17.3%

Source: U.S. Census Bureau