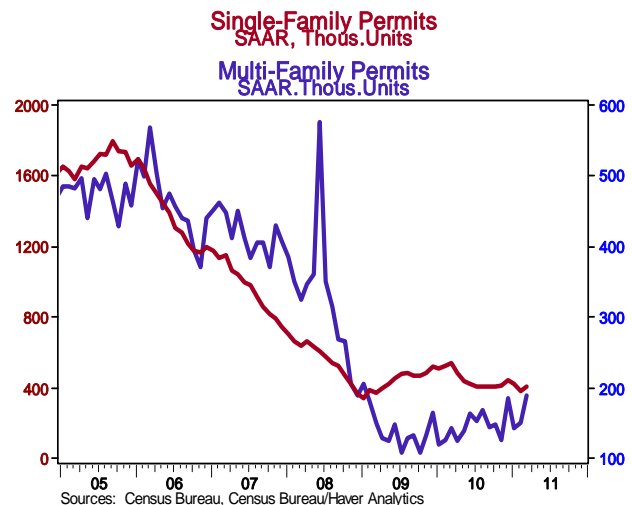
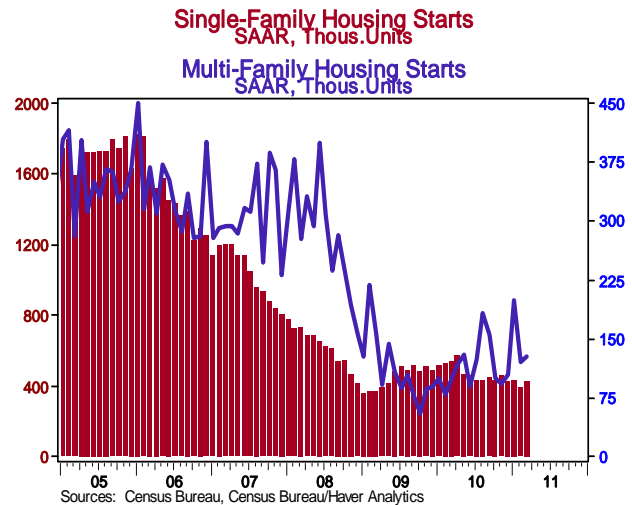


MARCH HOUSING STARTS

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- Housing starts surged 7.2% in March to 549,000 units at an annual rate. They were also revised up by 6.9% in February, but are still down 13.4% versus a year ago.
- The increase in March was mostly due to a 7.7% increase in single-family starts. Multi-family starts (which can be volatile from month to month) also rose 5.8% and are up 28.3% versus a year ago.
- Starts increased in the Midwest, West and Northeast, but were down in the South.
- New building permits jumped 11.2% in March to a 594,000 annual rate and were revised up by 3.3% in February. Permits are down 13.3% versus a year ago with permits for single-family units down 25.3%.

Implications: Housing starts bounced back in March and were revised up sharply in February. As a result, the March levels blew away a relatively optimistic consensus forecast. Single-family starts rose 7.7%, while multi-family starts grew 5.8%. The general upward trend in multi-family starts, particularly those with 5 or more units remains intact and is growing from both a construction and permit perspective. This supports the idea more people are shifting toward renting and away from buying. Deeper down in the report came news that both total units under construction and total units where construction was completed hit record lows going back 40 years. As a result, inventories will continue to fall. Residential construction has fallen so far that it is now only 2.3% of GDP, the lowest level on record. It can't, and won't, go much lower. That's what today's housing starts data signal. While there are still excess inventories, these homes are concentrated in a few cities, states and regions. Many areas of the country are running on empty, with new construction falling behind the need. This will continue to push rents higher, and with home prices already at a 50-year low relative to rents, home building activity and sales should continue to climb. The only caveat is that unreasonably tight credit conditions and an uncertain regulatory landscape remain very real headwinds.



Housing Starts SAAR, thousands	Monthly % Ch.	Mar-11 Level	Feb-11 Level	Jan-11 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	7.2%	549	512	628	563	549	-13.4%
Northeast	5.4%	59	56	92	69	70	-10.6%
Midwest	32.3%	82	62	113	86	88	-11.8%
South	-3.3%	297	307	305	303	284	-12.4%
West	27.6%	111	87	118	105	107	-18.4%
Single-Unit Starts	7.7%	422	392	430	415	425	-21.1%
Multi-Unit Starts	5.8%	127	120	198	148	124	28.3%
Building Permits	11.2%	594	534	563	564	569	-13.3%
Single-Unit Permits	5.7%	405	383	421	403	412	-25.3%

Source: U.S. Census Bureau