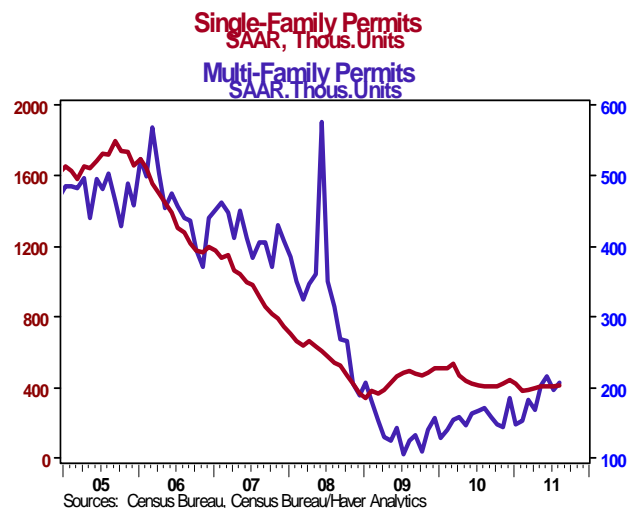
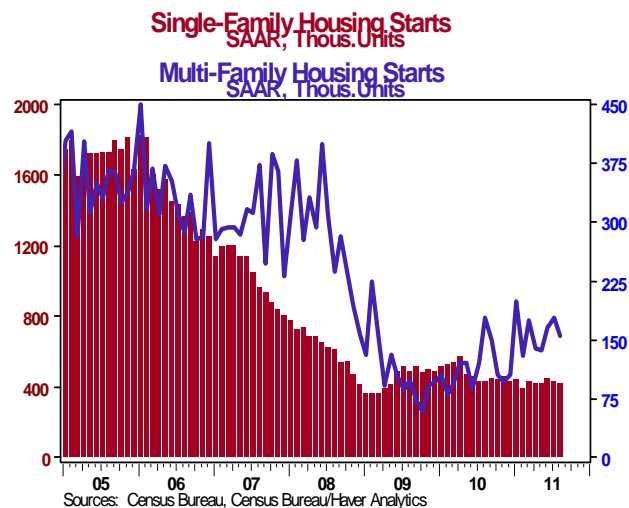


Brian S. Wesbury – Chief Economist
 Robert Stein, CFA – Senior Economist
 Strider Elass – Economic Analyst
 Andrew Hull – Economic Analyst

August Housing Starts

- Housing starts fell 5.0% in August to 571,000 units at an annual rate, coming in below the consensus expected pace of 590,000. Starts are down 5.8% versus a year ago.
- The decline in August was mostly due to multi-family starts, which are extremely volatile from month to month and which fell 13.5%. Single-family starts declined 1.4%. Multi-family starts are down 14.0% from a year ago while single-family starts are down 2.3%.
- Starts fell in the Northeast and South, but rose in the Midwest and West.
- New building permits gained 3.2% in August to a 620,000 annual rate, easily beating the consensus expected pace of 590,000. Compared to a year ago, permits for multi-unit homes are up 7.8% while permits for single-family units are up 2.0%.

Implications: Home building was stuck in the mud in August, both literally and figuratively. Housing starts declined 5% and fell short of consensus expectations. In addition, the total number of homes under construction fell to a new record low (since at least 1970). However, the weakness in August was largely due to Hurricane Irene. In the face of reports about the on-coming hurricane as well as its actual landfall and aftermath, builders postponed breaking ground on new homes. Excluding the Northeast, which was the hardest hit region, single-family starts were unchanged in August, which pretty much sums up the state of single-family construction for the past couple of years. Multi-unit starts were down in August, but as the top chart to the right shows, are still in a general rising trend as more former homeowners become renters. The brightest news from today's report was that permits to build new homes were up 3.2% and came in well above consensus expectations. Permits are now up 7.8% versus a year ago. Excluding the temporary burst in activity in late 2009 and early 2010, which was due to the homebuyer tax credit, this is the steepest climb in permits since 2005, back before the housing collapse began. The rise in permits is consistent with our view that housing is at or very close to an upward inflection point. Based on population growth and "scrappage" rates, home building must increase substantially over the next several years to avoid eventually running into shortages.



Housing Starts SAAR, thousands	Monthly % Ch.	Aug-11 Level	Jul-11 Level	Jun-11 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-5.0%	571	601	615	596	580	-5.8%
Northeast	-29.1%	61	86	68	72	65	-15.3%
Midwest	2.6%	80	78	126	95	93	-25.2%
South	-3.3%	292	302	288	294	293	1.7%
West	2.2%	138	135	133	135	129	-1.4%
Single-Unit Starts	-1.4%	417	423	449	430	422	-2.3%
Multi-Unit Starts	-13.5%	154	178	166	166	158	-14.0%
Building Permits	3.2%	620	601	617	613	597	7.8%
Single-Unit Permits	2.5%	413	403	402	406	402	2.0%

Source: U.S. Census Bureau