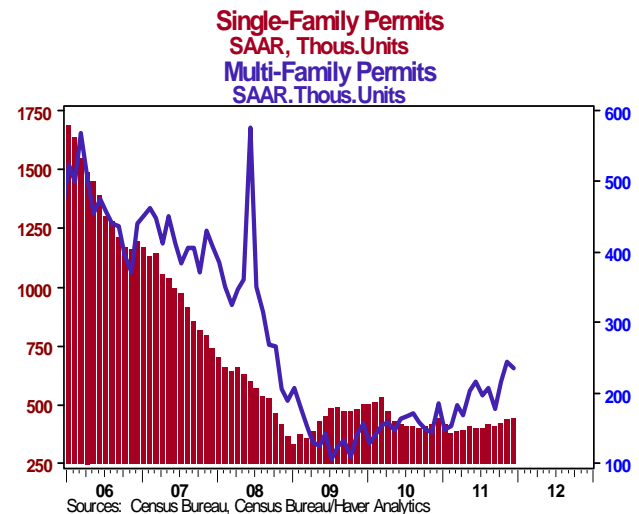
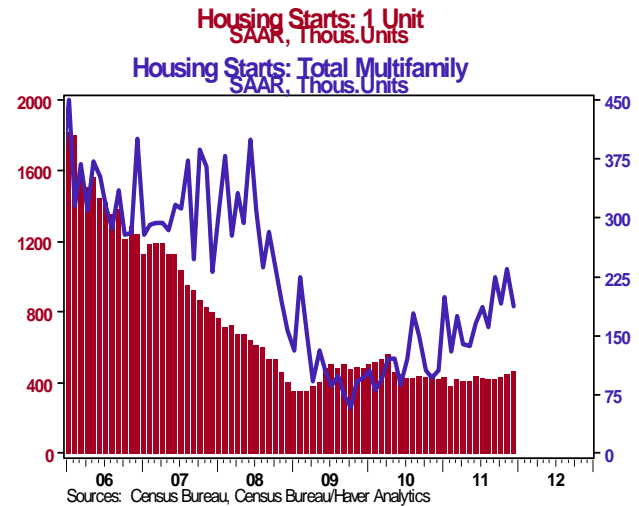


December Housing Starts

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- Housing starts declined 4.1% in December to 657,000 units at an annual rate, falling short of the consensus expected pace of 680,000. Starts are up 24.9% versus a year ago.
- The December decline in starts was all due to a 20.4% drop in multi-family units, which are extremely volatile from month to month. Single-family starts rose 4.4%. Multi-family starts are up 78.1% from a year ago while single-family starts are up 11.6%.
- Starts fell in all regions of the country, except the Midwest.
- New building permits slipped 0.1% in December to a 679,000 annual rate, coming in exactly as the consensus expected. Compared to a year ago, permits for multi-unit homes are up 27.0% while permits for single-family units are down 0.2%.

Implications: Housing starts fell short of consensus expectations, but that was all due to multi-family units, which are extremely volatile from month to month. As the charts to the right clearly show, the general trend in the multi-family sector has been up since mid-2009. Given the shift away from home ownership and toward rental occupancy, we expect that trend to re-assert itself over next few months. Meanwhile, single-family housing starts were up 4.4% in December and are up 11.6% from a year ago. With the exception of the temporary period in 2009-10 covered by the homebuyer credit, this is the largest twelve-month gain since the housing boom was still intact, back in 2005. In other words, the long-awaited turning point in home building has clearly arrived. Based on population growth and “scrapage,” home building must increase substantially over the next several years to avoid eventually running into shortages. For more on the housing market, please see our recent research report ([link](#)). In other good news this morning, new claims for unemployment insurance fell 50,000 last week to 352,000, the lowest since April 2008. Continuing claims for regular state benefits fell 205,000 to 3.43 million, the lowest since just before the collapse of Lehman Brothers in September 2008. Seasonal volatility probably accounts for some of these declines, but not all of them. In other news, the Philadelphia Fed index, a measure of manufacturing activity, increased to +7.3 in January from +6.8 in December. Adding an expansion in home building to an already growing factory sector means faster economic growth and job creation in 2012.



Housing Starts SAAR, thousands	Monthly % Ch.	Dec-11 Level	Nov-11 Level	Oct-11 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-4.1%	657	685	628	657	636	24.9%
Northeast	-41.2%	57	97	64	73	70	-1.7%
Midwest	54.8%	144	93	110	116	104	121.5%
South	-3.0%	320	330	322	324	318	19.0%
West	-17.6%	136	165	132	144	145	1.5%
Single-Unit Starts	4.4%	470	450	437	452	439	11.6%
Multi-Unit Starts	-20.4%	187	235	191	204	197	78.1%
Building Permits	-0.1%	679	680	644	668	636	7.8%
Single-Unit Permits	1.8%	444	436	428	436	424	-0.2%

Source: U.S. Census Bureau