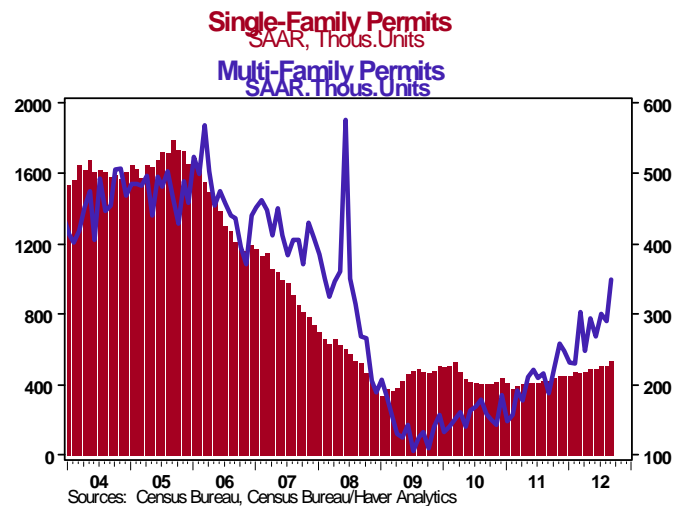
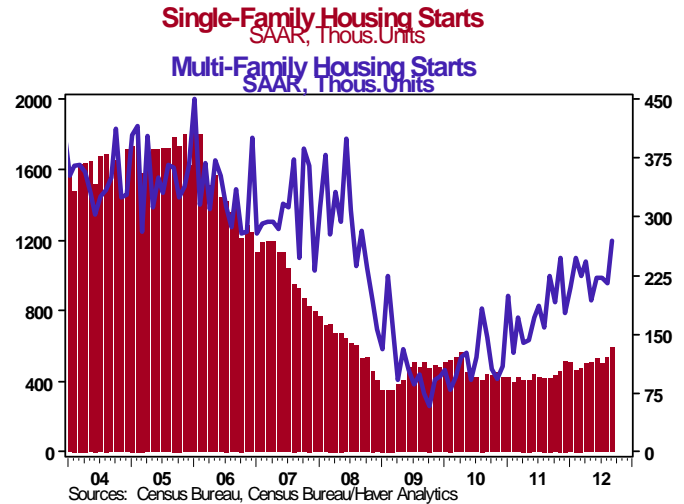


September Housing Starts

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- Housing starts soared 15.0% in September to 872,000 units at an annual rate, crushing the consensus expected 770,000 pace. Starts are up 34.8% versus a year ago.
- The rise in starts in September was due to both an 11.0% gain in single-family homes and a 25.1% gain in multi-family starts. Single-family starts are up 42.9% from a year ago, while multi-family starts are up 19.6%.
- Starts rose in the Midwest, South, and West, but declined slightly in the Northeast.
- New building permits increased 11.6% in September to an 894,000 annual rate, easily beating the consensus expected pace of 810,000. Compared to a year ago, permits for single-unit homes are up 27.3% while permits for multi-family units are up 85.6% (no, that's not a typo!).

Implications: Home building soared in September, not only crushing consensus expectations, but easily beating every single economic forecast for both housing starts and permits for future construction. Housing starts are up 34.8% from a year ago and builders are now starting homes at the fastest pace since July 2008. Even more impressive, the gains were not lopsided toward the volatile multi-family sector. The 11% growth in single-family starts accounted for about half of the increase in total starts. As the charts to the right show, both single-family and multi-family starts and permits are trending higher. The total number of homes under construction (started, but not yet finished) are up 21% from a year ago and increased for the 13th straight month, the first time this has happened since back during the building boom in 2003-2004. Based on population growth and "scrappage," housing starts will eventually rise to about 1.5 million units per year (probably by 2015-16), which means the recovery in home building is still young. That may seem like a big leap over the next few years, but a gain of 20% per year for the next three years gets us up to that level. And that pace of increase is *slower* than the gains over the past twelve months. Don't expect a straight line recovery, there will be zigs and zags along the way, but the overall trend will continue higher. In other recent housing news, the NAHB index, a measure of builder confidence, hit 41 in October, the highest level since mid-2006. For a little more on the housing recovery, please see an interview from a month ago on Bloomberg TV [here](#).



Housing Starts SAAR, thousands	Monthly % Ch.	Sep-12 Level	Aug-12 Level	Jul-12 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	15.0%	872	758	728	786	761	34.8%
Northeast	-5.1%	75	79	86	80	79	27.1%
Midwest	6.7%	143	134	111	129	120	47.4%
South	19.9%	451	376	348	392	384	37.1%
West	20.1%	203	169	183	185	179	25.3%
Single-Unit Starts	11.0%	603	543	506	551	533	42.9%
Multi-Unit Starts	25.1%	269	215	222	235	228	19.6%
Building Permits	11.6%	894	801	811	835	796	45.1%
Single-Unit Permits	6.7%	545	511	511	522	504	27.3%

Source: U.S. Census Bureau