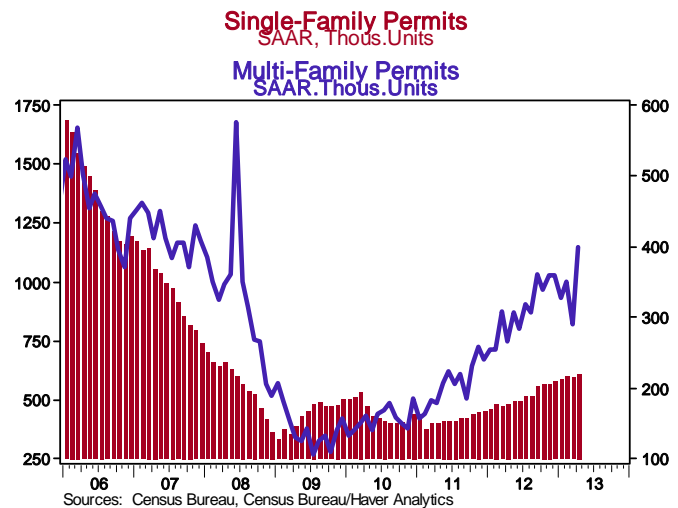
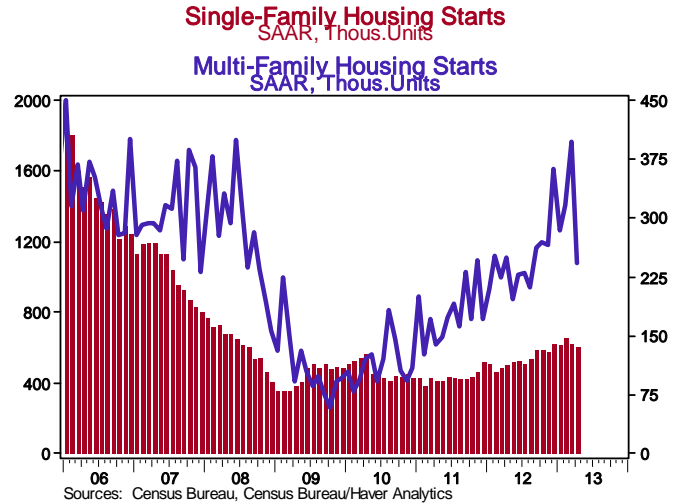


April Housing Starts

Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Elass – Economist

- Housing starts declined 16.5% in April to 0.853 million units at an annual rate, coming in well below the consensus expected 970,000 pace. Starts are up 13.1% versus a year ago.
- The decline in starts in April was mostly due to multi-family units, which declined 38.9%. Single-family starts declined 2.1%. Single-family starts are up 20.8% from a year ago while multi-family starts are down 2.4%.
- Starts in April were down in the South, Northeast and West, but up in the Midwest.
- New building permits rose 14.3% in April to a 1.02 million annual rate, beating the consensus expected 941,000 pace. Compared to a year ago, permits for single-unit homes are up 27.5% while permits for multi-family units are up 50.9%.

Implications: Housing starts fell a whopping 16.5% in April but almost all of the decline was due to the multi-family sector, which is extremely volatile from month to month. For example, in March, multi-family starts rose 25.6% but fell 38.9% in April. Single family starts fell 4.5% in March and another 2.1% in April. We expect multi-family starts to bounce back in April while single family starts return to their upward trend, pushing up total housing starts. As you can see from the chart to the right, the underlying trend in housing is upward and we expect large gains for residential construction for at least the next two years, probably longer. Based on population growth and “scrappage,” housing starts will eventually rise to about 1.5 million units per year (probably by 2015). The best news today was that housing permits boomed in April with gains in both multi-family permits and single-family. Single-family building permits were up 3.0% in April and are up 27.5% from a year ago. The bottom line is that no one should get worked up over every zig and zag in the data. Sometimes one indicator ticks down, like housing starts; other times an indicator, like building permits, will surge up above the underlying growth trend. That’s what a recovery looks like. In other news this morning, the Philadelphia Fed index, a measure of manufacturing in that region, declined to -5.2 in May from +1.3 in April. We expect a rebound in the months ahead. It’s still a Plow Horse economy.



Housing Starts SAAR, thousands	Monthly % Ch.	Apr-13 Level	Mar-13 Level	Feb-13 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-16.5%	853	1021	969	948	928	13.1%
Northeast	-12.8%	82	94	106	94	92	3.8%
Midwest	10.9%	153	138	135	142	144	19.5%
South	-27.9%	406	563	505	491	479	1.8%
West	-6.2%	212	226	223	220	213	43.2%
Single-Unit Starts	-2.1%	610	623	652	628	616	20.8%
Multi-Unit Starts	-38.9%	243	398	317	319	312	-2.4%
Building Permits	14.3%	1017	890	952	953	942	35.8%
Single-Unit Permits	3.0%	617	599	600	605	594	27.5%

Source: U.S. Census Bureau