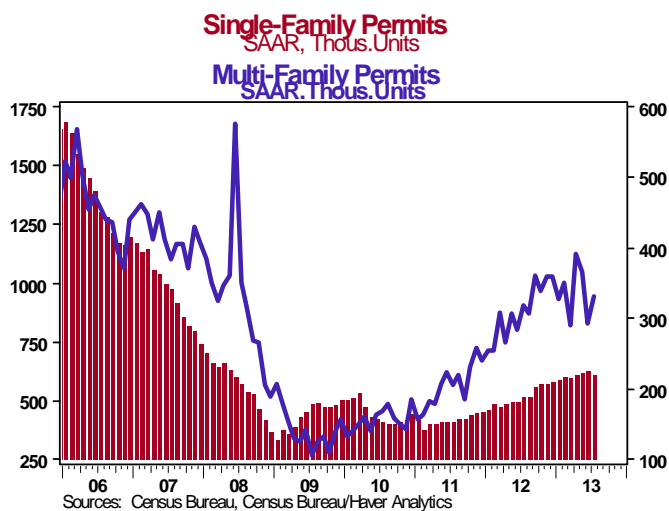
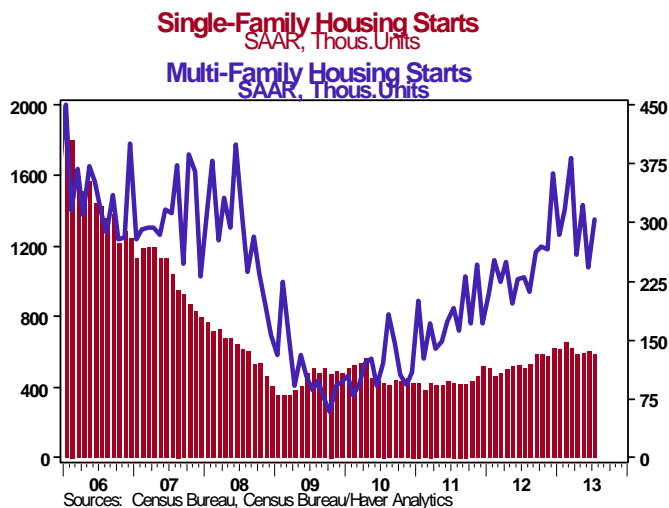


July Housing Starts

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- Housing starts increased 5.9% in July to 896,000 units at an annual rate, coming in very close to the consensus expected 900,000 pace. Starts are up 20.9% versus a year ago.
- The rise in starts in July was all due to multi-family units, which rebounded 26.0% after a steep drop in June. Single-family starts declined 2.2%. Single-family starts are up 15.4% from a year ago while multi-family starts are up 33.2%.
- Starts in July were up in the Northeast, Midwest, and West, but down in the South.
- New building permits rose 2.7% in July to a 943,000 annual rate, coming in almost exactly as the consensus expected. Compared to a year ago, permits for single-unit homes are up 17.9% while permits for multi-family units are up 3.4%.

Implications: The good news is that housing starts rebounded sharply in July after being depressed by unusually wet weather in many states in June. Like blizzards in the winter, heavy rains in the summer sometimes make it tough to break ground for foundations, adding volatility to the starts data. The so-so news is that the rebound in July was all due to multi-family homes, which are always volatile; single-family starts declined 2.2% in July. Nevertheless, the underlying trends for home building are still upward and should remain that way for at least the next couple of years. Single-family starts are up 15.4% from a year ago while multi-family starts are up 33.2%. The total number of homes under construction (started, but not yet finished) is up 30% from a year ago. Based on population growth and “scrappage,” housing starts will eventually rise to about 1.5 million units per year (probably by 2015). This is the level of construction that lets the number of homes rise at the same pace as the population. Most of these homes will be owner-occupied but a large share will also be occupied by renters, which explains why multi-family construction has rebounded more sharply than the single-family sector. As we have said before, investors should not get worked up over every zig and zag in the housing data, especially given unusual weather. Sometimes an indicator will surge up above the underlying growth trend or fall sharply with these moves reversed the following months. Expect more of the same in the year ahead, but also expect the underlying trend to remain upward.



Housing Starts SAAR, thousands	Monthly % Ch.	Jul-13 Level	Jun-13 Level	May-13 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	5.9%	896	846	919	887	915	20.9%
Northeast	40.2%	115	82	101	99	96	30.7%
Midwest	25.4%	158	126	135	140	141	36.2%
South	-7.0%	401	431	482	438	464	14.2%
West	7.2%	222	207	201	210	213	19.4%
Single-Unit Starts	-2.2%	591	604	597	597	610	15.4%
Multi-Unit Starts	26.0%	305	242	322	290	305	33.2%
Building Permits	2.7%	943	918	985	949	949	12.4%
Single-Unit Permits	-1.9%	613	625	620	619	612	17.9%

Source: U.S. Census Bureau