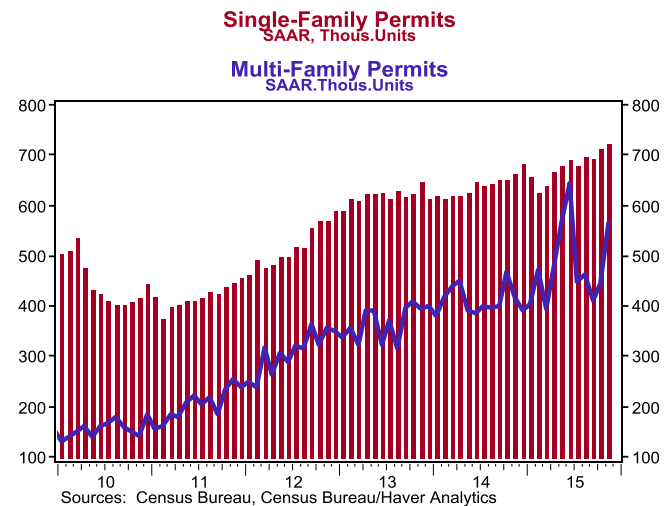
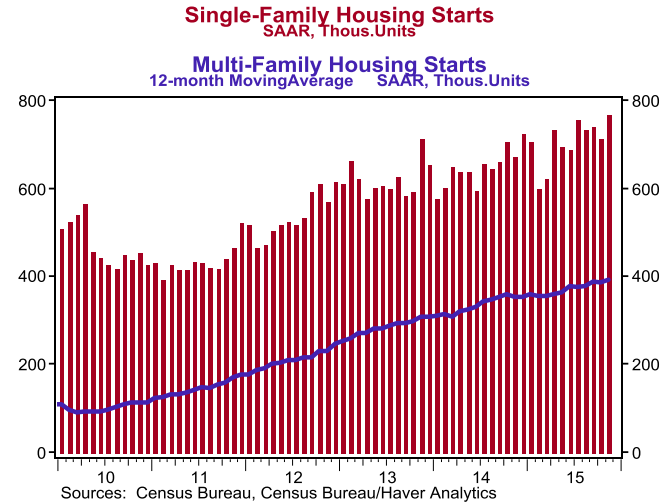


November Housing Starts

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

- Housing starts rose 10.5% in November to a 1.173 million annual rate, coming in well above the consensus expected 1.130 million. Starts are up 16.5% versus a year ago.
- The increase in starts in November was due to gains in both single and multi-family units which increased 7.6% and 16.4% respectively. In the past year, single-family starts are up 14.6% while multi-family starts are up 20.2%.
- Starts in November rose in the South and West, were unchanged in the Midwest, and declined in the Northeast.
- New building permits rose 11.0% in November to a 1.289 million annual rate, coming in well above the consensus expected 1.150 million. Compared to a year ago, permits for single-family units are up 9.0% while permits for multi-family homes are up 36.1%.

Implications: The home building recovery is alive and well, giving the Fed even more ammo to raise short-term rates later today for the first time since 2006. In spite of the wettest November in thirty years, housing starts soared in November, easily topping consensus expectations, rising 10.5% to a 1.173 million annual rate. The large increase in November itself was not just due to a big gain in volatile multi-family starts; single-family starts increased 7.6%, are up a very healthy 14.6% from a year ago, and are now the highest since 2008. Housing starts bounce around from month to month, but the underlying trend has been up since 2011 and we expect that trend to continue. The total number of homes under construction (started but not yet finished) increased 2.2% in November and is up 18.3% versus a year ago. Based on population growth and “scrapage,” we expect overall housing starts to rise to about 1.5 million units per year by early 2017, so a great deal of the recovery in home building is still ahead of us. Supporting the case for further increases in building, housing permits boomed as well in November, rising 11.0%. The gain in permits was primarily driven by the volatile multi-family sector, which rose 26.9%, but single-family building permits increased 1.1%. Overall permits are up 19.5% versus a year ago while single-family permits are up a solid 9%. In other recent housing news from yesterday, the NAHB index, which measures confidence among home builders, declined to 61 in December, versus 62 in November. Readings greater than 50 mean more respondents report good market conditions. One year ago, the overall index was at 58, and many said Fed Tapering would drive it lower. But housing continues to grind higher. Even with higher short-term rates, expect the sector to remain one of the bright spots in the Plow Horse Economy in 2016.



Housing Starts SAAR, thousands	Monthly % Ch.	Nov-15 Level	Oct-15 Level	Sep-15 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	10.5%	1173	1062	1207	1147	1154	16.5%
Northeast	-8.5%	130	142	130	134	149	21.5%
Midwest	0.0%	174	174	137	162	158	1.2%
South	21.3%	615	507	638	587	581	35.5%
West	6.3%	254	239	302	265	266	-7.3%
Single-Unit Starts	7.6%	768	714	741	741	734	14.6%
Multi-Unit Starts	16.4%	405	348	466	406	420	20.2%
Building Permits	11.0%	1289	1161	1105	1185	1197	19.5%
Single-Unit Permits	1.1%	723	715	694	711	701	9.0%

Source: U.S. Census Bureau