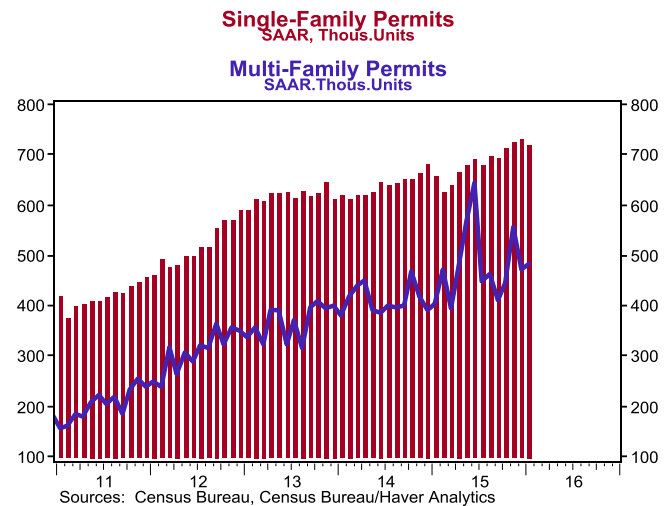
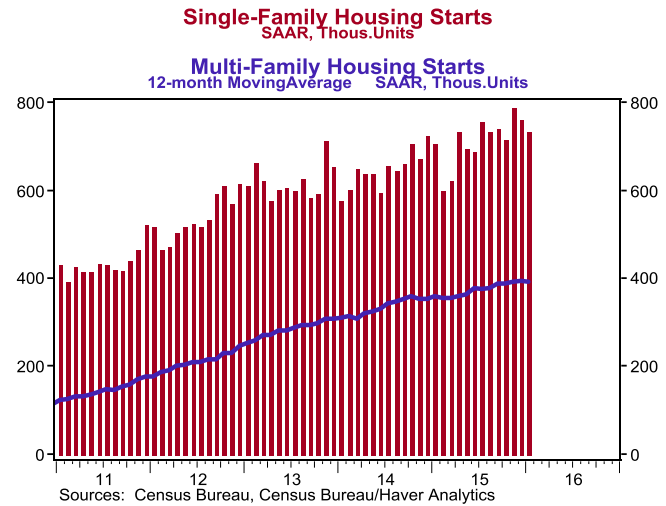


January Housing Starts

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- Housing starts declined 3.8% in January to a 1.099 million annual rate, coming in well below the consensus expected 1.173 million. Starts are up 1.8% versus a year ago.
- The drop in starts in January was due to declines in both single-family starts as well as multi-family units. In the past year, single-family starts are up 3.5% while multi-family starts are down 1.6%.
- Starts in January declined in all major regions of the country.
- New building permits slipped 0.2% in January to a 1.202 million annual rate, coming in slightly above the consensus expected 1.200 million. Compared to a year ago, permits for single-family units are up 9.6% while permits for multi-family homes are up 19.9%.

Implications: Despite the drop in housing starts in January, the home building recovery has not come to an end. Yes, this was the lowest level in three months, and yes, housing starts fell by 3.8% in January to a 1.099 million annual rate. But, a bad winter storm in the Mid-Atlantic and Northeast that NOAA rated as the fourth-most impactful winter storm since 1950 probably played a role in that weakness. Even with the decline in January, housing starts still remain up 1.8% from a year ago. To help get rid of the monthly volatility we look at the 12-month moving average, which is the highest since 2008 and up 9% from a year ago. Meanwhile, although permits to build homes also slipped slightly in January, they remain up a strong 13.5% versus a year ago with single-family permits up a solid 9.6%. We expect housing to continue to be a bright spot in 2016-17. The total number of homes under construction (started but not yet finished) increased 0.2% in January and are up 17.3% versus a year ago. Based on population growth and “scrappage,” we expect overall housing starts to rise to about 1.5 million units per year by 2017, so a great deal of the recovery in home building is still ahead of us. In other recent housing news from yesterday, the NAHB index, which measures confidence among home builders, declined to 58 from 61 in January. Readings greater than 50 mean more respondents report good market conditions. One year ago, the overall index was at 55, 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 keep adding to real GDP growth in 2016.



Housing Starts SAAR, thousands	Monthly % Ch.	Jan-16 Level	Dec-15 Level	Nov-15 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-3.8%	1099	1143	1176	1139	1135	1.8%
Northeast	-3.7%	156	162	128	149	137	44.4%
Midwest	-12.8%	136	156	168	153	153	-6.2%
South	-2.9%	560	577	612	583	586	4.9%
West	-0.4%	247	248	268	254	260	-15.7%
Single-Unit Starts	-3.9%	731	761	786	759	745	3.5%
Multi-Unit Starts	-3.7%	368	382	390	380	391	-1.6%
Building Permits	-0.2%	1202	1204	1282	1229	1186	13.5%
Single-Unit Permits	-1.6%	720	732	727	726	715	9.6%

Source: U.S. Census Bureau