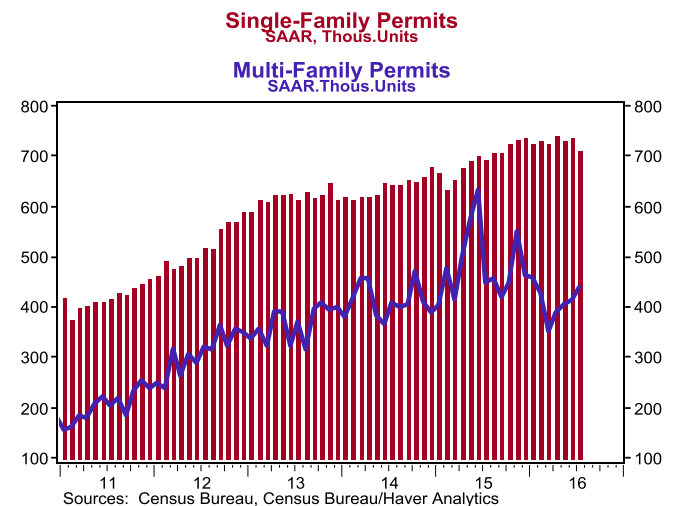
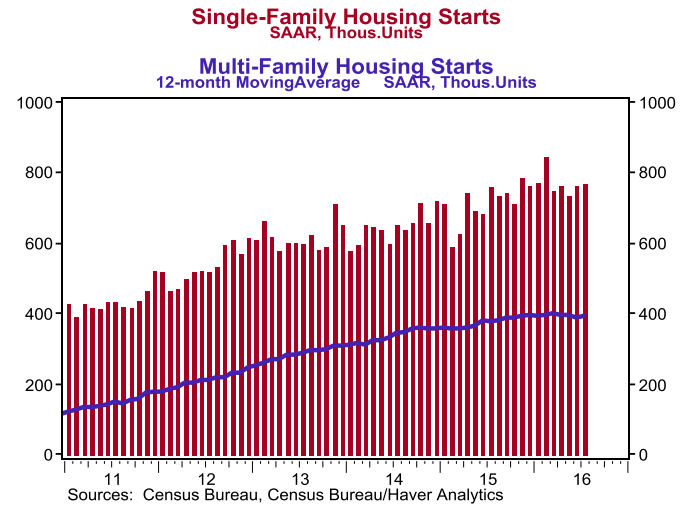


# July Housing Starts

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- Housing starts rose 2.1% in July to a 1.211 million annual rate, beating the consensus expected 1.180 million. Starts are up 5.6% versus a year ago.
- The increase in starts in July was mainly due to multi-family units, but single-family starts rose as well. In the past year, single-family starts are up 1.3% while multi-family starts are up 14.0%.
- Starts in July rose in the Northeast, Midwest, and South, but declined in the West.
- New building permits declined 0.1% in July to a 1.152 million annual rate, falling short of the consensus expected 1.160 million. Compared to a year ago, permits for single-family units are up 2.4% while permits for multi-family homes are down 1.6%.

**Implications:** Home building continues to be a bright spot for the US economy. Housing starts rose 2.1% in July, climbing to a 5-month high, beating consensus expectations and coming in higher than any forecast from any economics group. Home building often moves in a seesaw pattern. So, to get rid of the monthly volatility and expose underlying trends, we look at the 12-month moving average, which is now the highest since 2008. Although the increase in housing starts in July was led by multi-family units, that’s happened less frequently in the past year. When the housing recovery started, multi-family construction generally led the way. The number of multi-family units now under construction is the highest since the early 1970s. But the *share* of all housing starts that are multi-family appears to have peaked in 2014-15 and single-family building has generally starting to climb more quickly. This trend should reassert itself soon. Single-family building permits are up 2.4% from a year ago while multi-family permits are down 1.6%. The shift in the mix of homes toward single-family units is a positive one because, on average, each single-family home contributes to GDP about twice the amount of a multi-family unit. Based on population growth and “scrapage,” housing starts should rise to about 1.5 million units per year, so a great deal of the recovery in home building is still ahead of us. It won’t be a straight line higher, but expect the housing sector to keep adding to real GDP growth in 2016-17. In other recent housing news, the NAHB index, which measures sentiment among home builders, rose to 60 in August from 59 in July showing that the index remains in healthy expansion territory. More jobs and faster wage growth are making it easier to buy a home and builders are responding.



| Housing Starts<br>SAAR, thousands | Monthly<br>% Ch. | Jul-16<br>Level | Jun-16<br>Level | May-16<br>Level | 3-mth<br>moving avg | 6-mth<br>moving avg | Yr to Yr<br>% Change |
|-----------------------------------|------------------|-----------------|-----------------|-----------------|---------------------|---------------------|----------------------|
| <b>Housing Starts</b>             | <b>2.1%</b>      | 1211            | 1186            | 1128            | 1175                | 1168                | 5.6%                 |
| <b>Northeast</b>                  | <b>15.5%</b>     | 134             | 116             | 81              | 110                 | 114                 | -15.7%               |
| <b>Midwest</b>                    | <b>2.3%</b>      | 175             | 171             | 191             | 179                 | 185                 | 2.3%                 |
| <b>South</b>                      | <b>3.5%</b>      | 613             | 592             | 587             | 597                 | 590                 | 11.1%                |
| <b>West</b>                       | <b>-5.9%</b>     | 289             | 307             | 269             | 288                 | 279                 | 9.1%                 |
| <b>Single-Unit Starts</b>         | <b>0.5%</b>      | 770             | 766             | 737             | 758                 | 772                 | 1.3%                 |
| <b>Multi-Unit Starts</b>          | <b>5.0%</b>      | 441             | 420             | 391             | 417                 | 396                 | 14.0%                |
| <b>Building Permits</b>           | <b>-0.1%</b>     | 1152            | 1153            | 1136            | 1147                | 1135                | 0.9%                 |
| <b>Single-Unit Permits</b>        | <b>-3.7%</b>     | 711             | 738             | 731             | 727                 | 730                 | 2.4%                 |

Source: U.S. Census Bureau