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Data Watch

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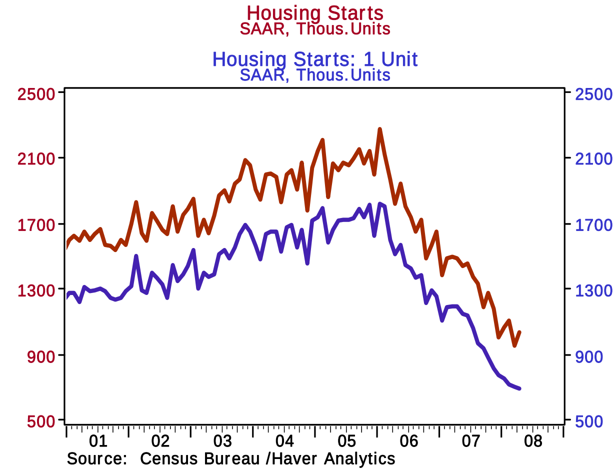
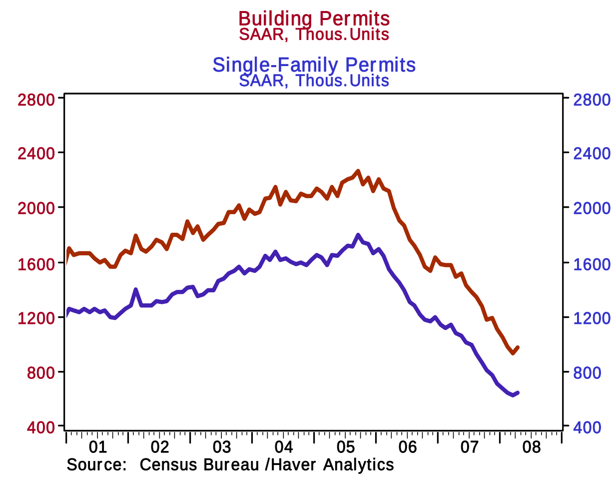
APRIL HOUSING STARTS

Chief Economist – Brian S. Wesbury
Senior Economist – Robert Stein, CFA

- Housing starts increased 8.2% in April to 1.032 million units at an annual rate. The consensus had expected a decline to a 939,000 rate. Starts are down 30.6% versus a year ago and off 54.6% from the peak in January 2006.
- Single-family starts fell 1.7% in April and are down 42.2% versus last year. Multiple-unit starts spiked 36.0% in April and are up 17.6% versus last year.
- Starts increased in the Midwest, South, and West but fell in the Northeast.
- New building permits increased 4.9% in April to 978,000 units at an annual rate, which was well above consensus expectations. Single-family permits increased 4.0% in April but are down 40.1% versus last year and 64.1% since the peak in September 2005.





Implications: Today's report on home building is not as strong as suggested by the headline 8.2% increase in housing starts, but shows that the light at the end of the housing tunnel is getting closer by the month. Although housing starts increased in April, the rise was all due to multiple-unit starts, which are volatile from month to month; single-family starts fell to a 692,000 annual rate, the second slowest month since 1982. However, declines in home building (particularly completions) help work off excess inventories and should not be seen as a negative for *future* economic growth. Completions of single-family homes declined 13% in April – the steepest one-month drop in almost twenty years – and are now at the lowest level since 1983. On a nationwide basis, we believe home building is getting close to a bottom. Meanwhile, there are many communities across the country where home building is rebounding. That said, we continue to expect home prices to drop on a nationwide average basis through mid-2009, as the market adjusts to work off excess inventories. (See our November 27 piece, "Seeing the Light at the End of the Housing Tunnel.")

Housing Starts *SAAR, thousands*	**Monthly** *% Ch.*	**Apr-08** *Level*	**Mar-08** *Level*	**Feb-08** *Level*	**3-mth** *moving avg*	**6-mth** *moving avg*	**Yr to Yr** *% Change*
Housing Starts	**8.2%**	1032	954	1107	1031	1056	-30.6%
Northeast	**-12.7%**	89	102	129	107	114	-45.4%
Midwest	**24.4%**	158	127	154	146	157	-23.7%
South	**3.6%**	516	498	577	530	543	-29.5%
West	**18.5%**	269	227	247	248	242	-30.1%
Single-Unit Starts	**-1.7%**	692	704	722	706	744	-42.2%
Multi-Unit Starts	**36.0%**	340	250	385	325	312	17.6%
Building Permits	**4.9%**	978	932	981	964	1040	-34.3%
Single-Unit Permits	**4.0%**	646	621	646	638	678	-40.1%

Source: U.S. Census Bureau