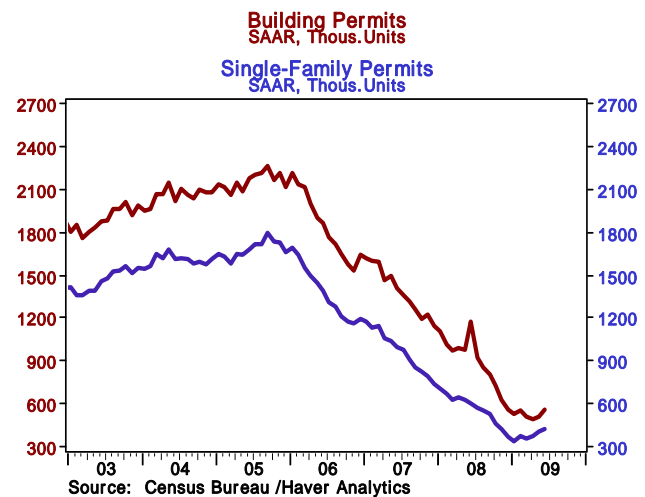
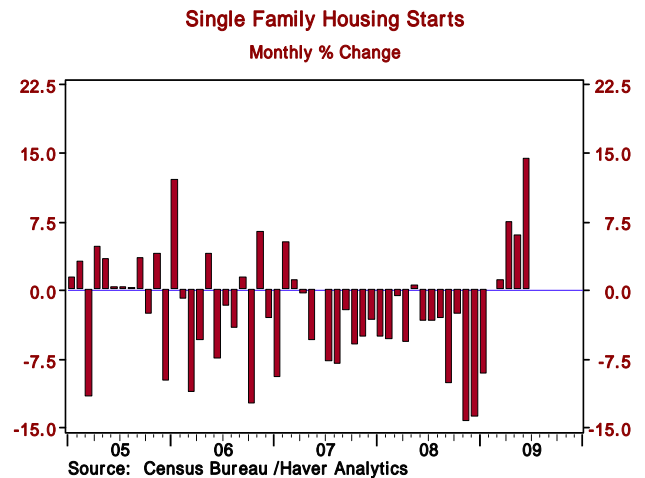


JUNE HOUSING STARTS

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- Housing starts increased 3.6% in June to 582,000 units at an annual rate, well above the consensus expected pace of 530,000.
- All of the increase in starts was due to a 14.4% increase in single-family units, which have risen four months in a row for a total gain of 31.7% since February. Multi-family starts continued to be extremely volatile, falling 25.8%.
- Starts increased substantially in the Northeast and Midwest, fell slightly in the South, and fell in the West.
- New building permits increased 8.7% in June to 563,000 units at an annual rate, well above the consensus expected pace of 524,000. Permits rose for both single-family and multi-family units.

Implications: We are now witnessing the long-awaited end of the bust in home building and the birth of what will be a substantial recovery in residential construction over the next few years. Housing starts increased 3.6% in June and were revised up substantially in both April and May. What is even more remarkable is that the June gain in starts came despite a large decline in multi-family building, which is extremely volatile from month to month. Single-family starts are now up four straight months, for a total gain of 31.7%. The turnaround in housing starts is beginning to generate a shift in overall home building. The number of single-family homes under construction fell the least since early 2006, when the housing bust was in its infancy. We expect the number of homes being built to hit bottom within the next few months. Supporting this forecast, permits to build homes increased in June for the second straight month, up a total of 13.1% since April. Meanwhile, total home sales (new and existing) are off the low set earlier this year and although national average home prices are apt to keep declining through year end, the price declines will be concentrated in several major metropolitan areas. Most areas around the country should see some price increases by year end. Home construction is going to increase substantially over the next few years. Although there are still excess inventories in the housing market (roughly 1.5 to 2 million homes), the rate of home building got so low that inventories can continue to fall rapidly even as building activity recovers.



Housing Starts SAAR, thousands	Monthly % Ch.	Jun-09 Level	May-09 Level	Apr-09 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	3.6%	582	562	479	541	534	-46.0%
Northeast	28.6%	81	63	50	65	61	-67.5%
Midwest	33.3%	108	81	84	91	87	-21.2%
South	-1.4%	272	276	231	260	269	-43.9%
West	-14.8%	121	142	114	126	118	-41.5%
Single-Unit Starts	14.4%	470	411	388	423	391	-28.2%
Multi-Unit Starts	-25.8%	112	151	91	118	144	-73.5%
Building Permits	8.7%	563	518	498	526	529	-52.0%
Single-Unit Permits	5.9%	430	406	378	405	383	-28.9%

Source: U.S. Census Bureau