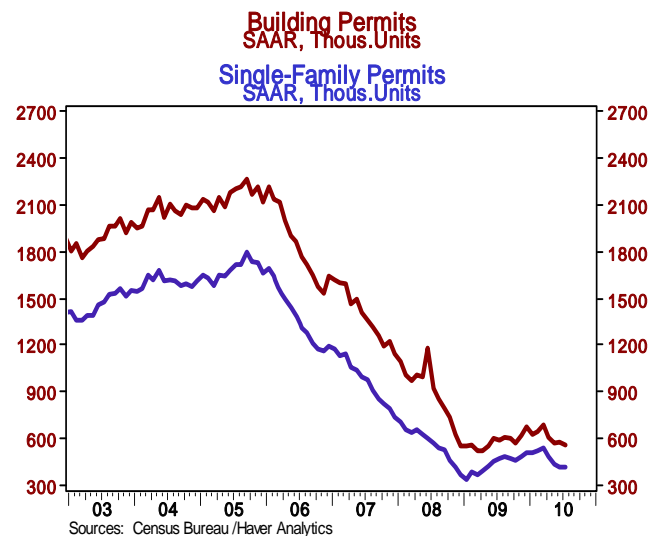
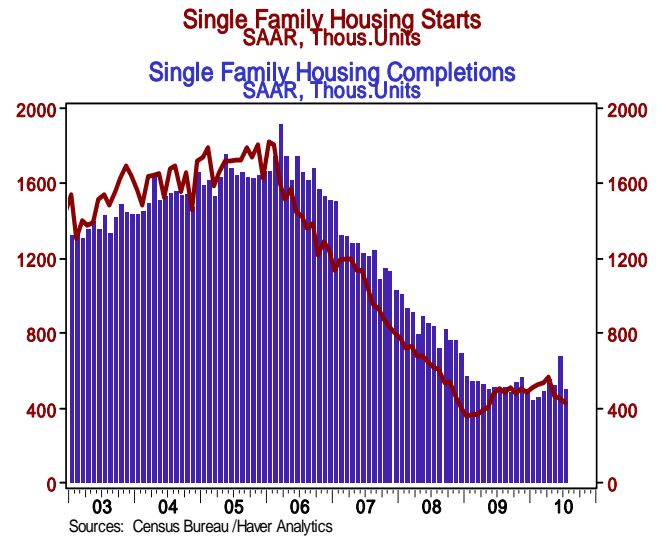


# JULY HOUSING STARTS

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- Housing starts increased 1.7% in July to 546,000 units at an annual rate, below the consensus expected 560,000 pace. Starts are up 14.5% versus the cycle low in April 2009.
- All of the gain in July was due to a 32.6% surge in multi-family starts. Single-family starts fell 4.2%. Compared to a short-term surge in July 2009, single family starts are down 13.6% versus a year ago while multi-family starts are up 31.0%.
- Starts declined in the South, were unchanged in the West, and increased in the Northeast and Midwest.
- New building permits declined 3.1% in July to a 565,000 annual rate, falling short of the consensus expected pace of 580,000. Permits are down 3.7% versus a year ago with permits for single-family units down 13.2%.

**Implications:** Despite the gain in housing starts in July, today’s report on home building was on the soft side. Single-family housing starts declined for the third straight month, with the weakness concentrated in the South and West. Meanwhile, the number of homes under construction hit an all-time low (dating back to 1970). Some are declaring this recent trend a “double-dip” recession for housing. We think this view is a mistaken extrapolation of the short-term trend after the expiration of the housing tax credit. Last year the government’s cash-for-clunkers program moved a great deal of motor vehicle activity into July/August. There was then a temporary hangover in September, followed by a healthy recovery driven by underlying economic fundamentals. We think a similar pattern will take place in housing, after a temporary hangover due to the lapsing of the homebuyer tax credit. Although excess housing inventories remain, they are falling rapidly and even a substantial recovery in building will keep that trend intact. True, many former “homeowners” (we use that term loosely after an era of zero down payments) are becoming renters, but rental properties require construction, too. Meanwhile, interest rates remain low and cash wages are going up at a healthy pace.



Housing Starts SAAR, thousands	Monthly % Ch.	Jul-10 Level	Jun-10 Level	May-10 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
<b>Housing Starts</b>	1.7%	546	537	588	557	598	-7.0%
<b>Northeast</b>	30.5%	77	59	72	69	72	26.2%
<b>Midwest</b>	10.7%	93	84	109	95	100	-15.5%
<b>South</b>	-6.3%	267	285	291	281	306	-7.9%
<b>West</b>	0.0%	109	109	116	111	121	-13.5%
<b>Single-Unit Starts</b>	-4.2%	432	451	459	447	495	-13.6%
<b>Multi-Unit Starts</b>	32.6%	114	86	129	110	104	31.0%
<b>Building Permits</b>	-3.1%	565	583	574	574	611	-3.7%
<b>Single-Unit Permits</b>	-1.2%	416	421	436	424	471	-13.2%

Source: U.S. Census Bureau

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