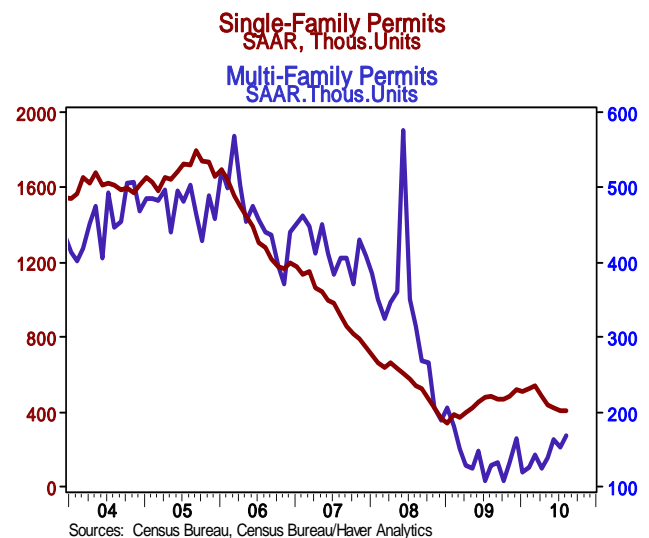
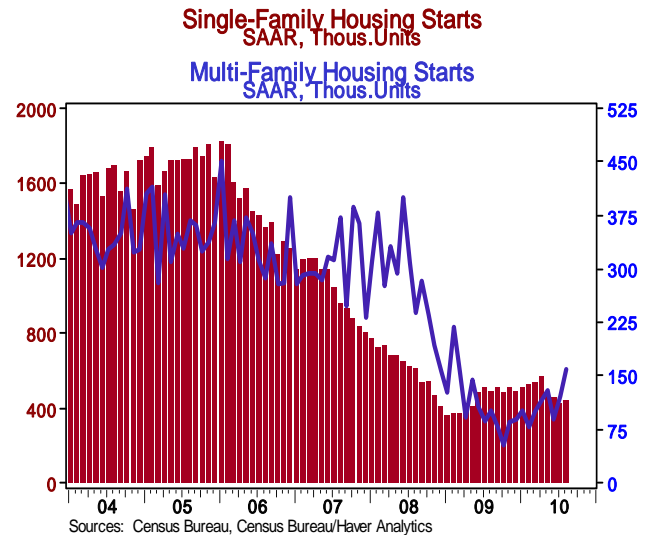


AUGUST HOUSING STARTS

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- Housing starts increased 10.5% in August to 598,000 units at an annual rate, well above the consensus expected 550,000 pace. Starts are up 2.2% versus a year ago.
- Most of the gain in August was due to a 32.2% surge in multi-family starts, which are volatile from month to month. Single-family starts increased 4.3%. Multi-family starts are up 55.3% versus a year ago while single family starts are down 9.1%.
- Starts increased in the Midwest, South, and West, but declined in the Northeast.
- New building permits increased 1.8% in August to a 569,000 annual rate, beating the consensus expected pace of 560,000. Permits are down 6.7% versus a year ago with permits for single-family units down 16.8%.

Implications: Another dagger to the heart of the case for a double dip recession. Housing starts soared in August and – for the first time since 2006 – the total number of homes under construction did not decline. Most of the gain in starts was due to multi-family units, which have increased 30%-plus in each of the past two months. Traditionally, multi-family units are extremely volatile from month to month, so some portion of these gains might be short-lived. However, as the top chart to the right shows, since late last year there is a clear upward trend in multi-family housing starts. In particular, these gains are due to structures that contain at least five units, not structures with two to four units. These data fit well with the decline in home ownership and the rise in rental occupancy, a trend that will likely continue for at least the next couple of years. As a result, the upward move in multi-family units should not be discounted as much as it would have been in the past. Although excess housing inventories remain, they are falling rapidly and will continue to decline even in the face of a substantial recovery in home building. 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. When you hear stories about a “wave of foreclosures” lifting inventories, remember that when someone leaves their home to rent somewhere else that overall housing inventories do not change.



Housing Starts SAAR, thousands	Monthly % Ch.	Aug-10 Level	Jul-10 Level	Jun-10 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	10.5%	598	541	539	559	597	2.2%
Northeast	-24.3%	56	74	60	63	69	-21.1%
Midwest	21.7%	112	92	83	96	101	5.7%
South	7.0%	289	270	287	282	307	2.8%
West	34.3%	141	105	109	118	120	11.0%
Single-Unit Starts	4.3%	438	420	450	436	478	-9.1%
Multi-Unit Starts	32.2%	160	121	89	123	119	55.3%
Building Permits	1.8%	569	559	583	570	597	-6.7%
Single-Unit Permits	-1.2%	401	406	421	409	449	-16.8%

Source: U.S. Census Bureau