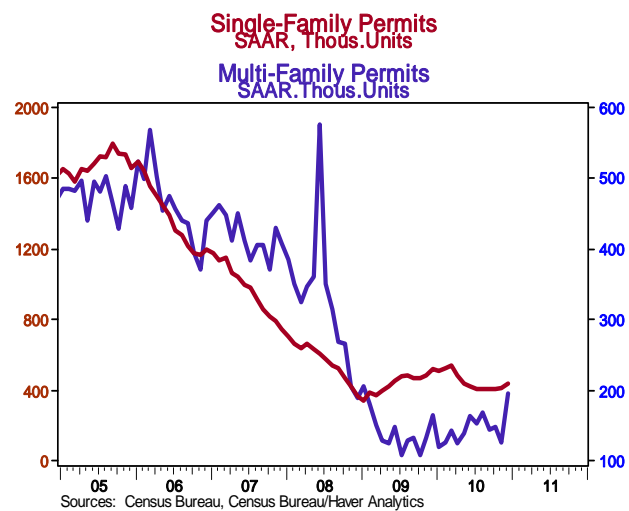
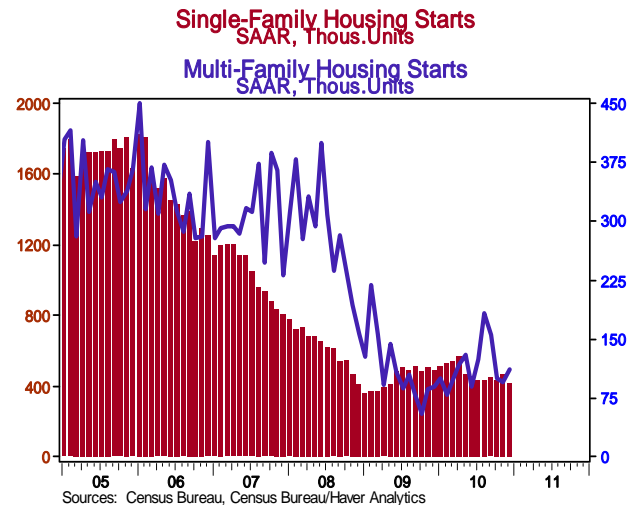


DECEMBER HOUSING STARTS

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- Housing starts declined 4.3% in December to 529,000 units at an annual rate, falling short of the consensus expected pace of 550,000. Starts are down 8.2% versus a year ago.
- All of the drop in December was due to a 9.0% slump in single-family starts. Multi-family starts, which are volatile from month to month, increased 17.9%. Multi-family starts are up 24.4% versus a year ago while single-family starts are down 14.2%.
- Starts declined in the Northeast, South, and Midwest, but soared in the West.
- New building permits spiked up 16.7% in December to a 635,000 annual rate, coming in well above the consensus expected pace of 554,000. Permits are down 6.8% versus a year ago with permits for single-family units down 14.9%.



Implications: So much for global warming lifting housing activity and slowing utility output in the winter months. The unusually harsh weather in December – colder than normal temperatures and more snow – pushed up utility output (reported last week) and also slowed housing starts. But weather-related shifts are all about timing, not the overall level of activity. We expect a bounce in starts in the months to come as the weather gets back toward normal. Single-family housing starts fell 9% in December, with that drop concentrated in the Northeast and South, exactly where you would expect given the weather patterns. Home completions, which are not as vulnerable to bad weather, increased in December, both for single- and multi-family units. Meanwhile, building permits spiked steeply upward in December. Much of this was due to changes in building codes in California, Pennsylvania, and New York that went into effect on January 1. Builders could avoid the tighter rules by breaking ground before 2011. However, building codes only explain the gain in multi-family permits. Single-family permits also increased 5.5%, signaling a rebound in home construction in 2011. That said, given ongoing foreclosures and the rise in rental occupancy, we expect the growth of multi-unit dwellings to keep outpacing the growth of single-family homes. In other recent news, the Empire State Index, a measure of manufacturing in New York, increased to +11.9 in January from +9.9 in December, signaling a continuation of the national gains in manufacturing.

Housing Starts SAAR, thousands	Monthly % Ch.	Dec-10 Level	Nov-10 Level	Oct-10 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-4.3%	529	553	533	538	563	-8.2%
Northeast	-24.7%	58	77	81	72	73	-4.9%
Midwest	-38.4%	69	112	94	92	96	-26.6%
South	-2.2%	262	268	263	264	276	-16.0%
West	45.8%	140	96	95	110	119	28.4%
Single-Unit Starts	-9.0%	417	458	433	436	436	-14.2%
Multi-Unit Starts	17.9%	112	95	100	102	128	24.4%
Building Permits	16.7%	635	544	552	577	568	-6.8%
Single-Unit Permits	5.5%	440	417	404	420	412	-14.9%

Source: U.S. Census Bureau

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