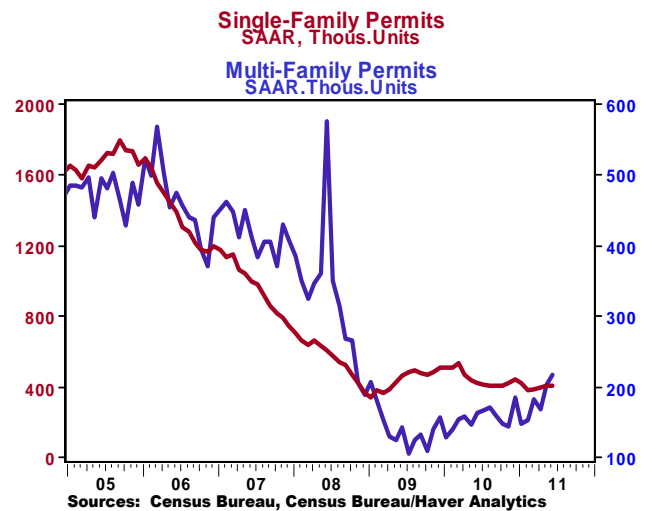
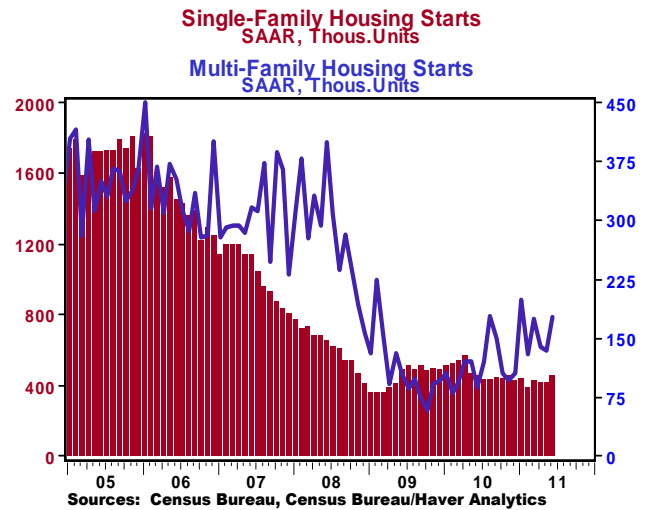


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June Housing Starts

- Housing starts increased 14.6% in June to 629,000 units at an annual rate, easily beating the consensus expected pace of 575,000. Starts are up 16.7% versus a year ago.
- The increase in June was about evenly split between multi-family starts, which rose 30.4% (and which are extremely volatile from month to month) and single-family starts, which rose 9.4%. Multi-family starts are double levels from a year ago while single-family starts are up 0.4%.
- Starts rose in all major regions of the country.
- New building permits increased 2.5% in June to a 624,000 annual rate, also easily beating consensus expectations. Compared to a year ago, permits for multi-unit homes are up 34.0% while permits for single-family units are down 3.8%.

Implications: Housing starts spiked higher in June, rising 14.6%, well above consensus expectations. The gains were about evenly split between the volatile multi-family sector, which has been trending higher since late 2009, and single-family homes. This gain supports our view from a couple of months ago that the dip in home building in the Spring was due to the unusually wicked tornado season. The details of today's report were strong as well. Building permits, a sign of future activity, beat consensus expectations and the total number of homes under construction increased for the first time since 2006. Starts are not going to increase every month, but home building is set to trend higher over the next several years. Population growth and "scrappage" rates suggest that once the excess inventory of homes is cleared that the underlying trend for building activity is about 1.6 million starts per year. That's about 2.5 times current levels. In other words, home building must increase substantially just to get back to "normal" levels, not even to go back to the overbuilding of the prior decade. For at least the near term, growth in multi-family construction should outpace the growth in single-family units. There is an ongoing shift toward renting rather than owning. Part of that shift is due to tight credit conditions which are unlikely to disappear very soon.



Housing Starts SAAR, thousands	Monthly % Ch.	Jun-11 Level	May-11 Level	Apr-11 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	14.6%	629	549	549	576	579	16.7%
Northeast	35.1%	77	57	60	65	67	28.3%
Midwest	25.3%	124	99	96	106	96	45.9%
South	10.6%	292	264	274	277	297	2.1%
West	5.4%	136	129	119	128	118	25.9%
Single-Unit Starts	9.4%	453	414	411	426	420	0.4%
Multi-Unit Starts	30.4%	176	135	138	150	159	100.0%
Building Permits	2.5%	624	609	563	599	579	6.7%
Single-Unit Permits	0.2%	407	406	395	403	400	-3.8%

Source: U.S. Census Bureau