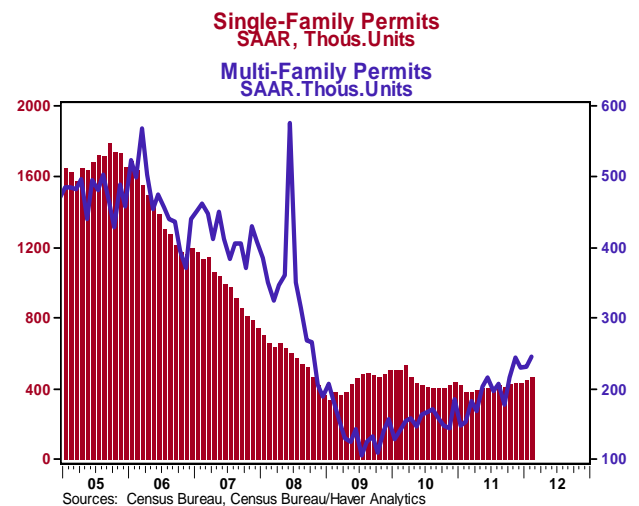
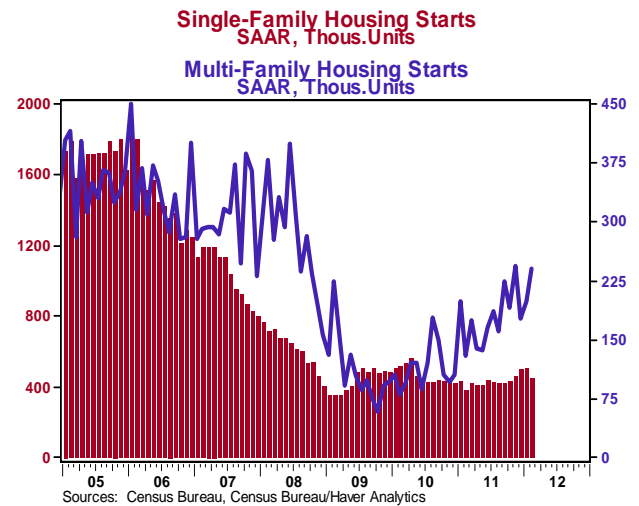


February Housing Starts

Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Senior Economist
Strider Elass – Economic Analyst

- Housing starts declined 1.1% in February to 698,000 units at an annual rate, almost exactly the 700,000 rate the consensus expected. Starts are up 34.7% versus a year ago.
- The decline in starts in February was all due to a 9.9% drop in single-family units. Multi-family starts soared 21.1%. Single-family starts are up 17.8% from a year ago, while multi-family starts are up 85.4%.
- Starts declined in the Northeast and West, but rose in the Midwest and South.
- New building permits increased 5.1% in February to a 717,000 annual rate, easily beating the consensus expected pace of 686,000. Compared to a year ago, permits for single-unit homes are up 23.6% while permits for multi-family units are up 61.2%.

Implications: The recovery in home building is well underway. Housing starts essentially matched consensus expectations in February, but are up almost 34.7% from a year ago. The number of homes under construction increased for the sixth straight month, the first time this has happened since 2004-05. The most impressive part of today's report was that permits to build homes easily beat consensus expectations and are up 34.3% from a year ago. That's the largest percentage increase in any twelve-month period in the last 20 years and signals large gains in home building in the coming year. Some of the recent gains in building have been weather-related. This winter has been unusually mild in much of the country. As a result, we would not be surprised if the report next month shows builders, on a seasonally-adjusted basis, pulling back a little in March. Regardless, it looks like the first quarter of 2012 will be the fourth straight quarter where home building boosts real GDP. As the charts to the right show, multi-family activity – both starts and permits – has been leading the way and we expect that to continue, particularly now that a legal settlement means more foreclosures can move forward. Some people occupying homes they have not been paying for will now have to go elsewhere and rent. Based on population growth and "scrappage," housing starts should eventually rise to about 1.5 million units per year (probably by 2016), which means the recovery in home building is still very young. For more on the housing market, please see our research report ([link](#)). In other recent housing news, the National Association of Home Builders housing market index remained steady at 28 in March, up from 17 a year ago and as low as 14 as recently as September.



Housing Starts SAAR, thousands	Monthly % Ch.	Feb-12 Level	Jan-12 Level	Dec-11 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-1.1%	698	706	681	695	677	34.7%
Northeast	-12.3%	64	73	62	66	70	16.4%
Midwest	3.0%	103	100	167	123	112	63.5%
South	1.5%	404	398	327	376	354	30.3%
West	-5.9%	127	135	125	129	141	41.1%
Single-Unit Starts	-9.9%	457	507	505	490	464	17.8%
Multi-Unit Starts	21.1%	241	199	176	205	213	85.4%
Building Permits	5.1%	717	682	671	690	664	34.3%
Single-Unit Permits	4.9%	472	450	441	454	440	23.6%

Source: U.S. Census Bureau