

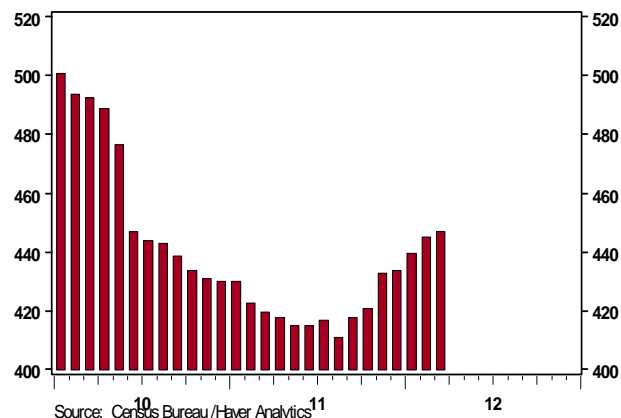
March Housing Starts

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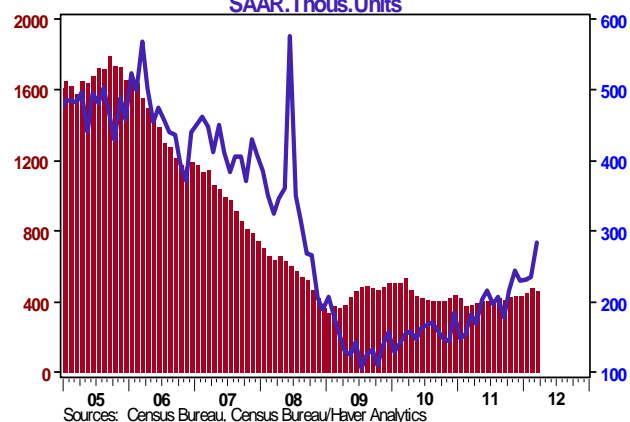
- Housing starts declined 5.8% in March to 654,000 units at an annual rate, well below the 705,000 rate the consensus expected. Starts are up 10.3% versus a year ago.
- The decline in starts in March was all due to a 16.9% drop in multi-family units. Single-family starts declined only 0.2%. Single-family starts are up 10.5% from a year ago, while multi-family starts are up 9.7%.
- Starts declined in the South, were unchanged in the West, but rose in the Northeast and Midwest.
- New building permits increased 4.5% in March to a 747,000 annual rate, easily beating the consensus expected pace of 710,000. Compared to a year ago, permits for single-unit homes are up 17.9% while permits for multi-family units are up 57.8%.

Implications: Despite the headline drop in housing starts, the recovery in home building is still underway. Housing starts came in below consensus expectations in March, but you should take that headline with a huge grain of salt. First, almost all the drop was due to multi-family starts, which are very volatile from month to month; single-family starts were basically unchanged in March. Second, due to relatively warm weather, building conditions were unusually good between December and February. This pulled some starts from March/April into the winter. But starts were still up 10.3% in March versus a year ago. Third, the total number of homes under construction (started, but not yet finished) increased for the seventh straight month, the first time this has happened since 2004-05. Fourth, and the most impressively, permits to build homes easily beat consensus expectations, hitting the highest level since September 2008, and are up 30.1% from a year ago, signaling continued gains in home building in the coming year. It looks like the first quarter of 2012 will be the fourth straight quarter where home building boosts real GDP. 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 fell to 25 in April from 28 in March, but is still up from 16 a year ago and as low as 14 as recently as September.

Housing Units Under Construction: Total
 SA, Thous.Units, EOP



Single-Family Permits
 SAAR, Thous.Units
Multi-Family Permits
 SAAR, Thous.Units



Housing Starts SAAR, thousands	Monthly % Ch.	Mar-12 Level	Feb-12 Level	Jan-12 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-5.8%	654	694	714	687	679	10.3%
Northeast	32.8%	89	67	73	76	75	45.9%
Midwest	1.0%	102	101	103	102	113	25.9%
South	-15.9%	334	397	400	377	354	-0.9%
West	0.0%	129	129	138	132	137	13.2%
Single-Unit Starts	-0.2%	462	463	509	478	472	10.5%
Multi-Unit Starts	-16.9%	192	231	205	209	207	9.7%
Building Permits	4.5%	747	715	682	715	690	30.1%
Single-Unit Permits	-3.5%	462	479	450	464	449	17.9%

Source: U.S. Census Bureau

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