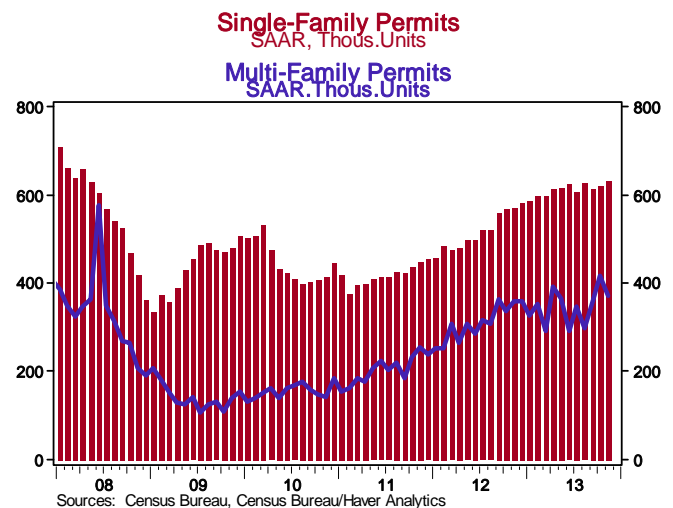
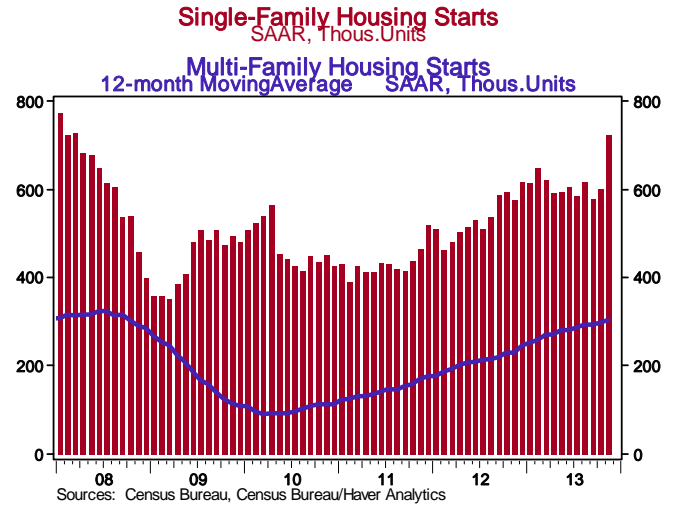


November Housing Starts

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- Housing starts increased 22.7% in November to 1.091 million units at an annual rate, coming in well above the consensus expected 955,000 pace. Starts are up 29.6% versus a year ago.
- The rise in starts in November was due to gains in both single-family and multi-family units, which were up 20.8% and 26.8% respectively. Single-family starts are up 26.2% from a year ago while multi-family starts are up 36.8%.
- Starts in November increased in the Midwest, South, and West, but declined in the Northeast.
- New building permits declined 3.1% in November to a 1.007 million annual rate, but came in above the consensus expected 990,000 pace. Compared to a year ago, permits for single-unit homes are up 10.5% while permits for multi-family units are up 3.9%.

Implications: Home building boomed in November, coming in at the highest level in more than five years. Despite recent volatility, the housing recovery is still strong. As the chart to the right shows, housing is clearly improving: single-family starts are up 26.2% from year-ago levels, while multi-family starts are up 36.8%. Those who are looking for signs of a slowdown will jump on the previous few months' volatility and the weather-induced pattern. But we believe this is a mistake. Overall, the underlying trends for home building continue to rise and should remain in that mode for at least the next couple of years. The total number of homes under construction (started, but not yet finished) is up 28.3% from a year ago. Based on population growth and "scrappage," housing starts will eventually rise to about 1.5 million units per year (probably by 2015). This is the level of construction that keeps the inventory of homes for sale at a stable level. Most of these homes will be owner-occupied but a large share will also be occupied by renters, which explains why multi-family construction has rebounded more sharply than the single-family sector over the past few years. Housing permits declined 3.1% in November but this was all due to a decline in volatile multi-family permits. Single-family permits rose 2.1%, are at the highest level since mid-2008, and are up 10.5% from a year ago. The bottom line is that no one should get worked up over every zig and zag in the data. Sometimes one indicator ticks down, like building permits; other times an indicator, like housing starts, will boom. It's important to focus on the trends, and all trends point to further housing gains in the years ahead. In other positive housing news, yesterday, the NAHB index, which measures confidence among home builders, came in at 58 in December, up 4 points from November, and besides August, is at the highest level in eight years.



Housing Starts SAAR, thousands	Monthly % Ch.	Nov-13 Level	Oct-13 Level	Sep-13 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	22.7%	1091	889	873	951	910	29.6%
Northeast	-29.4%	84	119	98	100	99	23.5%
Midwest	41.7%	214	151	164	176	160	39.0%
South	38.5%	558	403	427	463	441	24.3%
West	8.8%	235	216	184	212	210	37.4%
Single-Unit Starts	20.8%	727	602	580	636	620	26.2%
Multi-Unit Starts	26.8%	364	287	293	315	290	36.8%
Building Permits	-3.1%	1007	1039	974	1007	970	7.9%
Single-Unit Permits	2.1%	634	621	615	623	622	10.5%

Source: U.S. Census Bureau