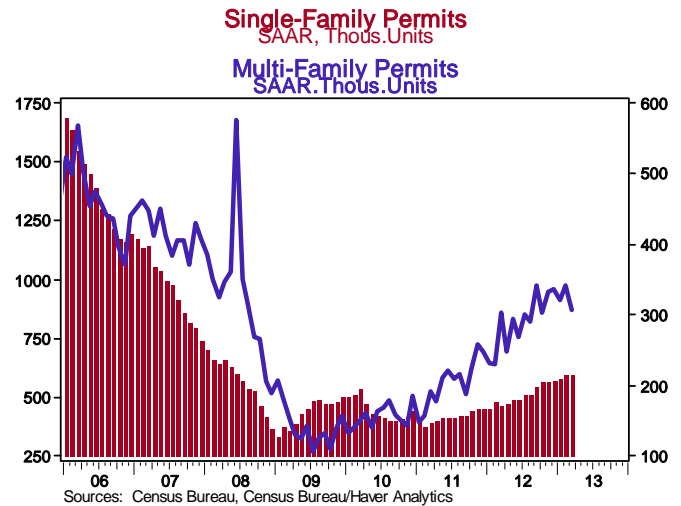
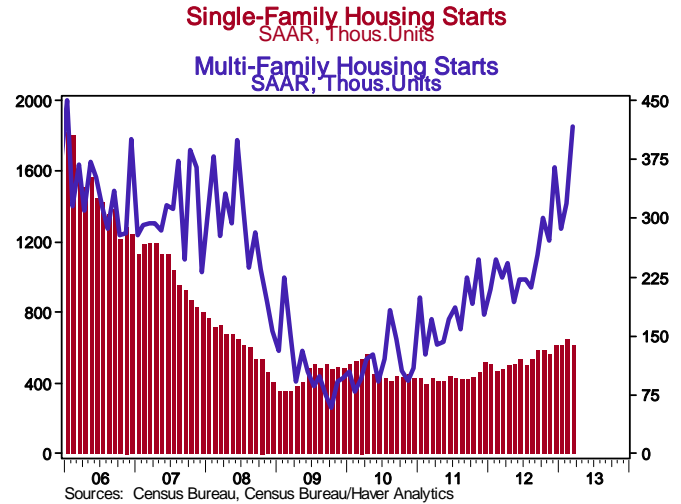


March Housing Starts

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- Housing starts rose 7.0% in March to 1.036 million units at an annual rate, easily beating the consensus expected 930,000 pace. Starts are up 46.7% versus a year ago.
- The increase in starts in March was all due to multi-family units, which surged 31.1%. Single-family starts declined 4.8%. Single-family starts are up 28.7% from a year ago while multi-family starts are up 85.3%.
- Starts in March were up in the Midwest, South, and West, but down in the Northeast.
- New building permits declined 3.9% in March to a 902,000 annual rate, lagging the consensus expected 942,000 pace. Compared to a year ago, permits for single-unit homes are up 27.7% while permits for multi-family units are up 1.3%.

Implications: Housing starts soared 7% in March, defying consensus expectations of only a small gain due to unusually cold March weather. At 1.036 million, the annual rate of starts is now the highest since mid-2008. However, the underlying details were not quite as strong as the headline. All of the gain in starts in March was due to the multi-family sector, which is extremely volatile from month to month; single-family starts declined 4.8%. As a result, we expect multi-family starts to drop back down next month, dragging down the top-line number as well. Still, the underlying trend in housing is upward and we expect large percentage gains for residential construction for at least the next two years, probably longer. Based on population growth and “scrapage,” housing starts will eventually rise to about 1.5 million units per year (probably by 2015). Housing permits were down in March but almost all of the decline was due to the multi-family sector. Single-family building permits were down only 0.5% in March and are up 27.7% from a year ago. In other recent housing news, the NAHB index, which measures confidence among home builders, slipped to 42 in April from 44 in March. However, the index for *future* single-family sales increased to 53 from 50. The key here is that the underlying trend in the housing industry is clearly upward and the gains have much further to go. Don’t get worked up over every zig and zag in the data. Sometimes one indicator ticks down, like the NAHB; other times an indicator, like housing starts, will surge up above the underlying growth trend. That’s what a recovery looks like.



Housing Starts SAAR, thousands	Monthly % Ch.	Mar-13 Level	Feb-13 Level	Jan-13 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	7.0%	1036	968	902	969	936	46.7%
Northeast	-5.8%	98	104	86	96	92	12.6%
Midwest	9.6%	149	136	96	127	146	28.4%
South	10.9%	560	505	485	517	484	58.2%
West	2.7%	229	223	235	229	214	53.7%
Single-Unit Starts	-4.8%	619	650	616	628	610	28.7%
Multi-Unit Starts	31.1%	417	318	286	340	326	85.3%
Building Permits	-3.9%	902	939	904	915	904	17.3%
Single-Unit Permits	-0.5%	595	598	584	592	581	27.7%

Source: U.S. Census Bureau