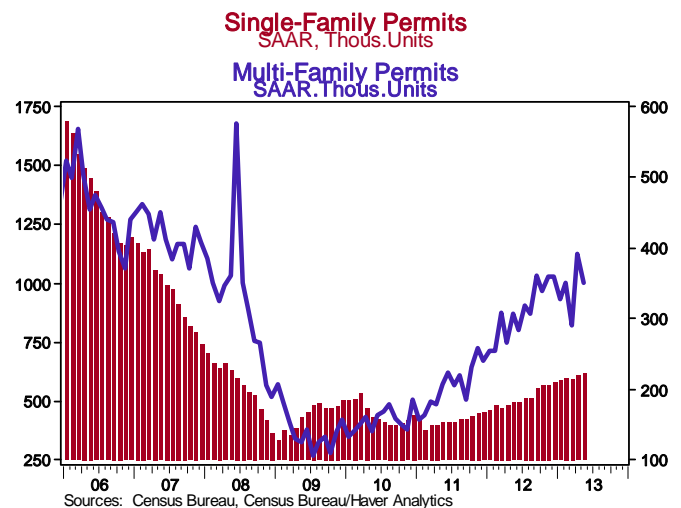
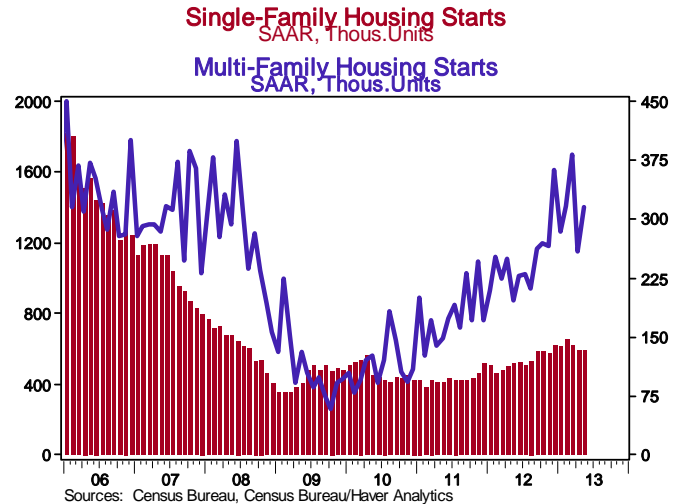


May Housing Starts

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- Housing starts rose 6.8% in May to a 0.914 million annual rate and are up 28.6% versus a year ago. The consensus had expected an even larger gain to a 950,000 pace.
- The increase in starts in May was mostly due to multi-family units, which rose 21.6%. Single-family starts increased 0.3%. Single-family starts are up 16.3% from a year ago while multi-family starts are up 60.7%.
- Starts in May were up in the South and West but down in the Northeast and Midwest.
- New building permits declined 3.1% in May to a 974,000 annual rate, pretty much matching the consensus expected 975,000 pace. Compared to a year ago, permits for single-unit homes are up 24.6% while permits for multi-family units are up 14.7%.

Implications: Housing starts bounced back in May and continued the upward trend that began in 2011. Although the vast majority of the gain was due to the volatile multi-family sector and overall starts came in below consensus expectations, single-family starts are up 16.3% from a year ago and the total number of homes under construction has increased for 21 consecutive months. We expect this trend to continue. Although housing permits declined 3.1% in May, they are up 20.8% from a year ago. Single-family permits were up in May and up 24.6% in the past year. Based on population growth and “scrappage,” housing starts will eventually rise to about 1.5 million units per year (probably by 2015). 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 surge up above the underlying growth trend. That’s what a recovery looks like. In other recent housing news, the NAHB index, which measures confidence among home builders, rose to 52 in June from 44 in May. This was the highest level since March 2006 and the eight point upward move was the largest monthly gain since September 2002. In other news yesterday, the Empire State index, a measure of manufacturing sentiment in New York, rose to a three month high of +7.8 in June from -1.4 in May. These data are consistent with our forecast that real GDP is growing at a 2.5% annual rate in the second quarter.



Housing Starts SAAR, thousands	Monthly % Ch.	May-13 Level	Apr-13 Level	Mar-13 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	6.8%	914	856	1005	925	938	28.6%
Northeast	-9.0%	71	78	94	81	92	-9.0%
Midwest	-13.7%	132	153	140	142	141	23.4%
South	17.8%	490	416	554	487	486	33.5%
West	5.7%	221	209	217	216	219	39.0%
Single-Unit Starts	0.3%	599	597	623	606	618	16.3%
Multi-Unit Starts	21.6%	315	259	382	319	320	60.7%
Building Permits	-3.1%	974	1005	890	956	947	20.8%
Single-Unit Permits	1.3%	622	614	599	612	601	24.6%

Source: U.S. Census Bureau