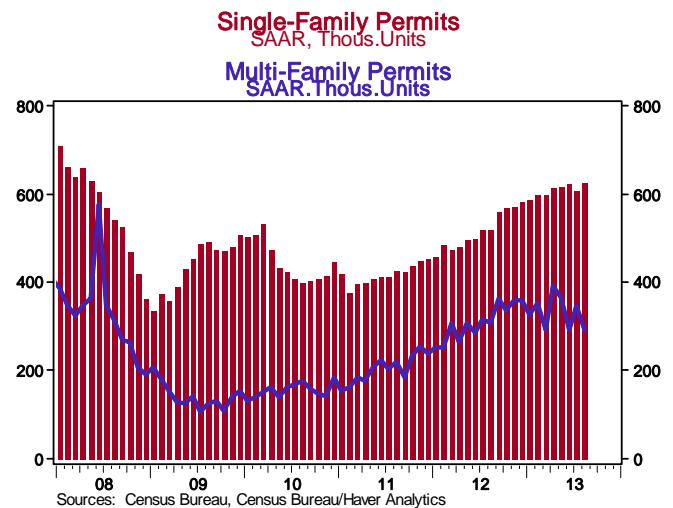
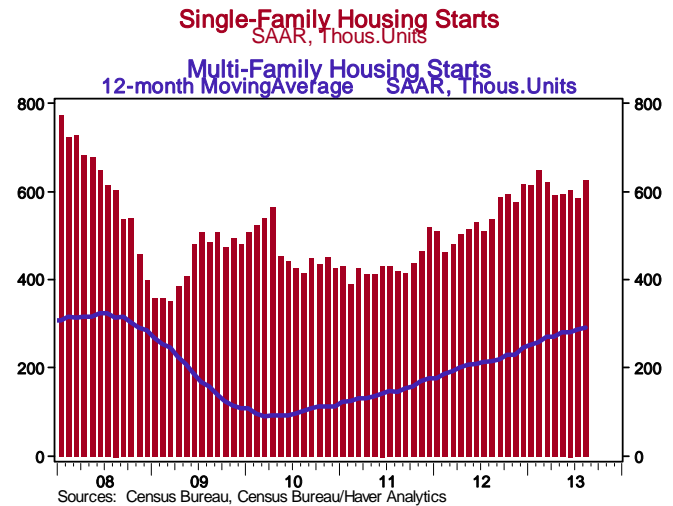


August Housing Starts

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- Housing starts increased 0.9% in August to 891,000 units at an annual rate, coming in below the consensus expected 917,000 pace. Starts are up 19% versus a year ago.
- The rise in starts in August was all due to single-family units, which were up 7.0%. Multi-family starts declined 11.1%. Single-family starts are up 16.9% from a year ago while multi-family starts are up 24.1%.
- Starts in August were up in the South, but were down in the Midwest, West and Northeast.
- New building permits declined 3.8% in August to a 918,000 annual rate, coming in below the consensus expected 950,000 pace. Compared to a year ago, permits for single-unit homes are up 20.6% while permits for multi-family units are down 5.2%.

Implications: Housing starts increased a disappointing 0.9% in August, but the recovery in housing remains robust. Single-family home construction surged in August, rising 7%, and now stands at its second highest level since the recovery began, even higher than when the government was passing out \$8,000 tax credits to homebuyers. While the chart above shows a relatively flat trend for single-family starts in recent months, this is somewhat misleading. A very mild Winter boosted starts in a typically slow period, while heavy rains in the Spring held starts back. Pulling back from this volatility shows a significant upward trend in the past two years. Single-family starts are up 16.9% from year-ago levels, while multi-family starts are up 24.1%. Those who are looking for signs of a slowdown will jump on the month-to-month 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 32% 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 3.8% in August but this was all due to declines in multi-family permits. Single-family permits rose 3%, are at the highest level since mid-2008, and are up 20.6% 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 tick higher. It’s important to focus on the trends, and all trends point to further housing gains in the years ahead.



Housing Starts SAAR, thousands	Monthly % Ch.	Aug-13 Level	Jul-13 Level	Jun-13 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	0.9%	891	883	835	870	898	19.0%
Northeast	-8.2%	101	110	85	99	95	34.7%
Midwest	-3.3%	147	152	126	142	142	14.8%
South	12.0%	439	392	419	417	450	16.8%
West	-10.9%	204	229	205	213	211	20.0%
Single-Unit Starts	7.0%	628	587	605	607	606	16.9%
Multi-Unit Starts	-11.1%	263	296	230	263	292	24.1%
Building Permits	-3.8%	918	954	918	930	945	11.0%
Single-Unit Permits	3.0%	627	609	625	620	616	20.6%

Source: U.S. Census Bureau