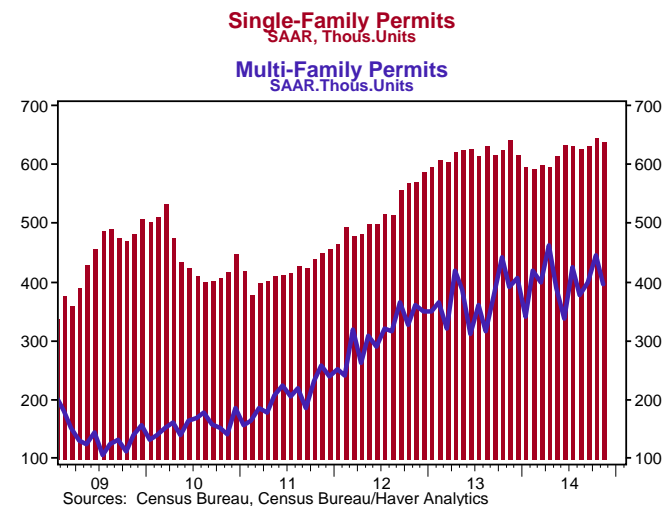
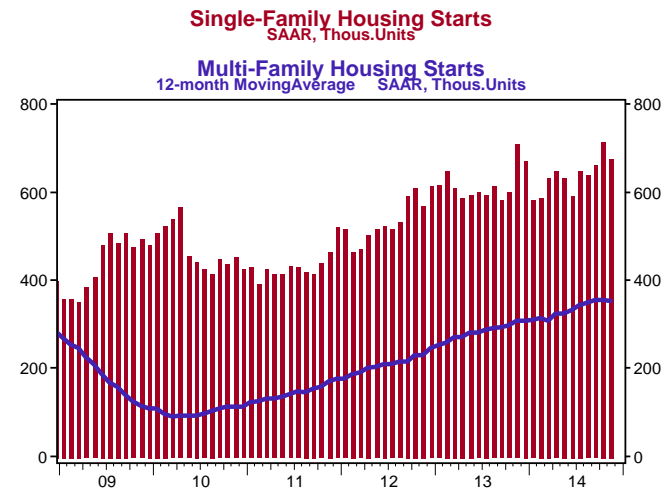


November Housing Starts

Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Elass – Economist

- Housing starts declined 1.6% in November to a 1.028 million annual rate, coming in below the consensus expected 1.040 million annual rate. Starts are down 7.0% versus a year ago.
- The decline in starts in November was all due to a 5.4% drop in single-family units; multi-family starts rose 6.7%. In the past year, single-family starts are down 4.6% while multi-family starts are down 11.1%.
- Starts in November declined in the South, but were up in the West, Midwest, and the Northeast.
- New building permits declined 5.2% in November to a 1.035 million annual rate, coming in below the consensus expected 1.065 million. Compared to a year ago, permits for single-units are down 0.9% while permits for multi-family homes are up 1.0%.

Implications: Another Plow Horse report on housing. Housing starts fell 1.6% in November but exceeded the 1 million pace for the third consecutive month, the first time since 2008. November’s drop of 1.6% for home building was all due to single-family units, which were down 5.4% in November. To smooth out the monthly volatility we look at the 12-month moving average for overall housing starts, which besides last month, is at the highest level since September 2008. The underlying trend remains upward and we expect that to continue. The total number of homes under construction, (started, but not yet finished) increased 1.2% in November and are up 18.3% versus a year ago. No wonder residential construction jobs are up 123,000 in the past year. Multi-family construction rose 6.7% in November and has taken the clear lead in the housing recovery. Single-family starts have been in a tight range for the past two years, while the trend in multi-family units has been up steeply. In the past year, 35% of all housing starts have been for multi-unit buildings, the most since the mid-1980s, when the last wave of Baby Boomers was leaving college. From a direct GDP perspective, the construction of multi-family homes adds less, per unit, to the economy than single-family homes. However, home building is still a positive for real GDP growth and we expect that trend to continue. Based on population growth and “scrappage,” housing starts will rise to about 1.5 million units per year over the next couple of years. In other housing news, yesterday, the NAHB index, which measures confidence among home builders, declined to 57 in December from 58 in November. Readings greater than 50 mean more respondents said conditions were good. Expect more Plow Horse-like gains in housing in the year ahead.



Housing Starts SAAR, thousands	Monthly % Ch.	Nov-14 Level	Oct-14 Level	Sep-14 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-1.6%	1028	1045	1028	1034	1012	-7.0%
Northeast	8.7%	113	104	109	109	112	17.7%
Midwest	14.4%	183	160	173	172	175	-15.3%
South	-19.5%	454	564	503	507	486	-20.2%
West	28.1%	278	217	243	246	239	24.1%
Single-Unit Starts	-5.4%	677	716	663	685	657	-4.6%
Multi-Unit Starts	6.7%	351	329	365	348	355	-11.1%
Building Permits	-5.2%	1035	1092	1031	1053	1032	-0.2%
Single-Unit Permits	-1.2%	639	647	631	639	635	-0.9%

Source: U.S. Census Bureau

This report was prepared by First Trust Advisors L. P., and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.