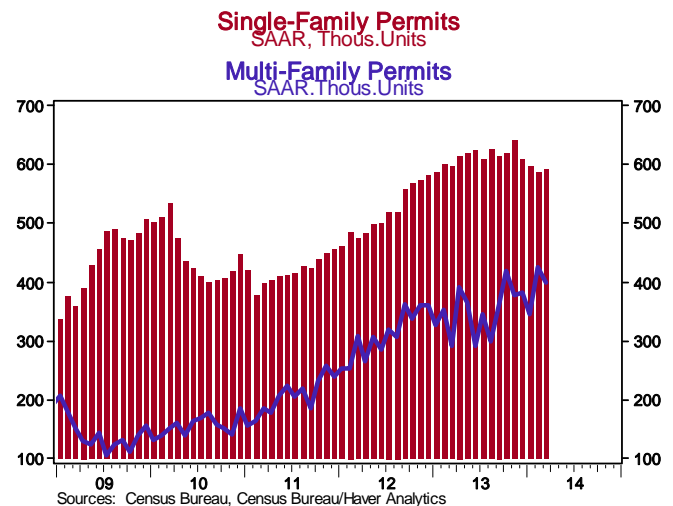
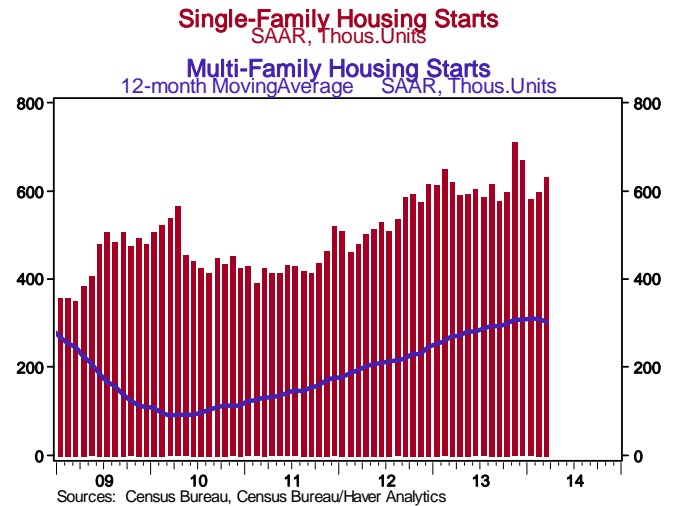


March Housing Starts

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- Housing starts increased 2.8% in March to 946,000 units at an annual rate, coming in below the consensus expected 970,000 rate. Starts are down 5.9% versus a year ago.
- The rise in starts in March was all due to a 6.0% increase in single-family units. Multi-family starts fell 3.1%. In the past year, single-family starts are up 1.9% while multi-family starts are down 18.6%.
- Starts in March rose in the Northeast and Midwest, but were down in the West and South.
- New building permits declined 2.4% in March to a 990,000 annual rate, coming in below the consensus expected 1.01 million pace. Compared to a year ago, permits for single-unit are down 1.2% while permits for multi-family homes are up 36.8%.

Implications: Don't judge a book by its cover. Weaker than expected housing starts can be blamed solely on a 3.1% decline in multi-family starts. Single-family starts rose 6% and are up 9.1% over the past two months. The areas hit hard by weather in February rebounded strongly in March. Starts in the Midwest and Northeast were up 65.5% and 30.7% respectively. Although starts are down versus a year ago, we think that still reflects harsher winter weather than last year and that year-ago comparisons will turn positive again over the next few months. To smooth out some of the weather-related volatility we look at moving averages, and the 5-month moving average is the highest since July 2008. Meanwhile, the total number of homes under construction, (started, but not yet finished) increased 0.4% in March and are up 21% versus a year ago. Some analysts claim the weather is a minor factor and point the finger at mortgage rates for recent weakness. But the US had a bubble in housing in 2003-05 when 30-year mortgage rates averaged 5.8%; today, they're 4.3%. The underlying trend for home building is still upward and should remain in that mode for at least the next couple of years. Based on population growth and "scrappage," housing starts will eventually rise to about 1.5 million units per year (probably by the end of 2015). This is the level of construction that keeps the number of homes stable relative to the US population. In other housing news, yesterday, the NAHB index, which measures confidence among home builders, came in at 47 in April, up one point from March. Look for increases in the next couple of months as the spring selling season coincides with the end of an unusually harsh winter.



Housing Starts SAAR, thousands	Monthly % Ch.	Mar-14 Level	Feb-14 Level	Jan-14 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	2.8%	946	920	903	923	966	-5.9%
Northeast	30.7%	115	88	117	107	103	22.3%
Midwest	65.5%	144	87	62	98	137	2.9%
South	-9.1%	477	525	488	497	496	-13.9%
West	-4.5%	210	220	236	222	231	-3.2%
Single-Unit Starts	6.0%	635	599	582	605	633	1.9%
Multi-Unit Starts	-3.1%	311	321	321	318	333	-18.6%
Building Permits	-2.4%	990	1014	945	983	999	11.2%
Single-Unit Permits	0.5%	592	589	599	593	609	-1.2%

Source: U.S. Census Bureau