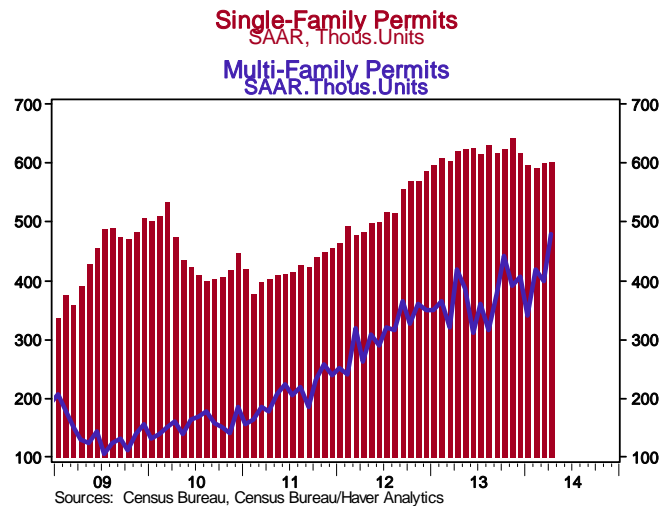
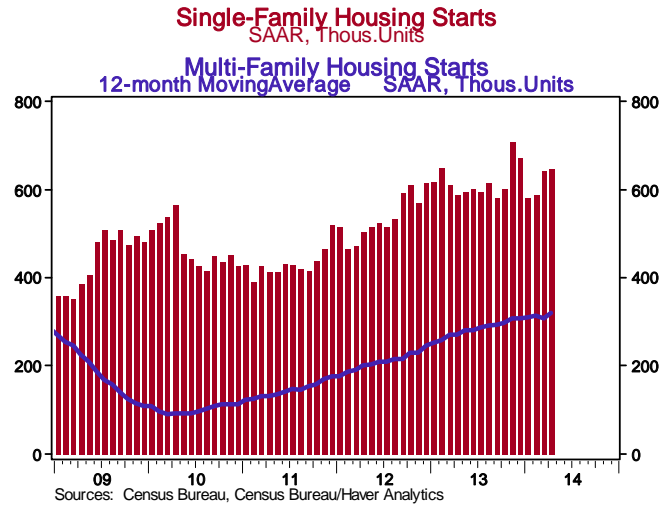


April Housing Starts

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- Housing starts increased 13.2% in April to 1.072 million units at an annual rate, coming in well above the consensus expected 980,000 rate. Starts are up 26.4% versus a year ago.
- The rise in starts in April was almost all due to a 39.6% increase in multi-family units. Single-family starts increased 0.8%. In the past year, single-family starts are up 9.8% while multi-family starts are up 64.6%.
- Starts in April rose in all major areas of the country.
- New building permits increased 8.0% in April to a 1.08 million annual rate, coming in well above the consensus expected 1.01 million pace. Compared to a year ago, permits for single-units are down 3.2% while permits for multi-family homes are up 14.4%.

Implications: A blowout good number today for housing starts as the pace of home construction soared 13.2% in April. Almost all of the gain was due to multi-family construction which is very volatile from month to month, so we expect some payback in May. Multi-family starts now make up 39.5% of total starts, the highest share since 1985, back when the last wave of Baby Boomers was leaving college and yuppifying cities. Although multi-family starts are very volatile, we're not concerned about the underlying trend. The homeownership rate is down (and we wished politicians would leave it alone); more people want to rent. From a GDP perspective, this doesn't matter very much. Multi-family units across the country are just as valuable as single-family homes; they're smaller but are skewed toward higher priced areas. One very interesting note from today's report was that home completions fell. We think this confirms the impact of the weather this winter. With the harsher than normal conditions, building crews couldn't break ground and were taken inside to complete homes instead. Well, now it looks like they are moving back outside. The total number of homes under construction, (started, but not yet finished) increased 2.5% in April and are up 21.3% versus a year ago. Building permits also boomed in April, but again it was largely due to the volatile multi-family sector. 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 45 in May, down one point from March. This, too, likely reflects the shift away from homeownership and toward renting.



| Housing Starts SAAR, thousands | Monthly % Ch. | Apr-14 Level | Mar-14 Level | Feb-14 Level | 3-mth moving avg | 6-mth moving avg | Yr to Yr % Change |
|-----------------------------------|---------------|--------------|--------------|--------------|------------------|------------------|-------------------|
| Housing Starts | 13.2% | 1072 | 947 | 928 | 982 | 997 | 26.4% |
| Northeast | 28.7% | 139 | 108 | 87 | 111 | 105 | 78.2% |
| Midwest | 42.1% | 216 | 152 | 122 | 163 | 154 | 40.3% |
| South | 1.5% | 486 | 479 | 502 | 489 | 506 | 18.2% |
| West | 11.1% | 231 | 208 | 217 | 219 | 233 | 12.7% |
| Single-Unit Starts | 0.8% | 649 | 644 | 589 | 627 | 642 | 9.8% |
| Multi-Unit Starts | 39.6% | 423 | 303 | 339 | 355 | 356 | 64.6% |
| Building Permits | 8.0% | 1080 | 1000 | 1011 | 1030 | 1015 | 3.8% |
| Single-Unit Permits | 0.3% | 602 | 600 | 593 | 598 | 609 | -3.2% |

Source: U.S. Census Bureau

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