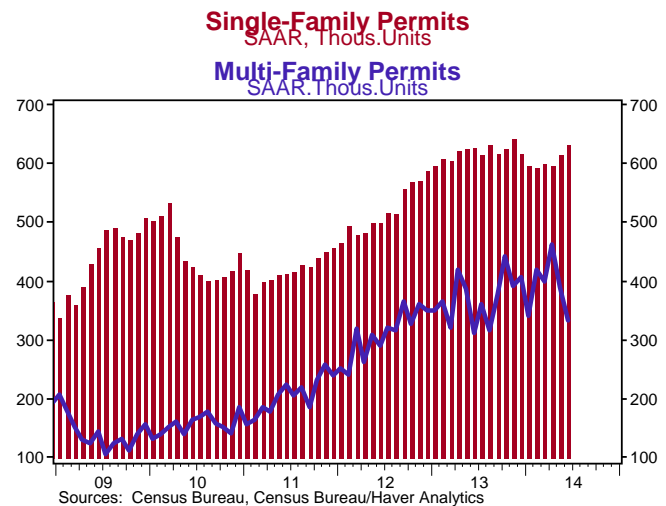
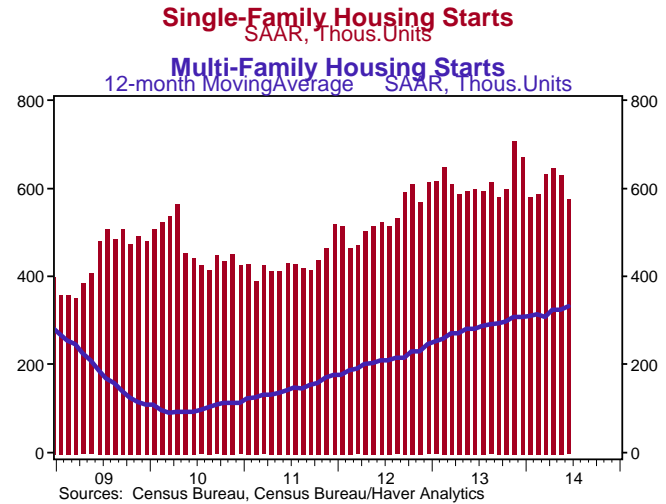


# June Housing Starts

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- Housing starts declined 9.3% in June to a 0.893 million annual rate, coming in well below the consensus expected 1.020 million. Starts are up 7.5% versus a year ago.
- The decline in starts in June was due to a drop in both single-family and multi-family units. In the past year, single-family starts are down 4.3% while multi-family starts are up 38.3%.
- Starts in May fell in the South, but rose in the Midwest, Northeast, and the West.
- New building permits declined 4.2% in June to a 963,000 annual rate, coming in below the consensus expected 1.035 million pace. Compared to a year ago, permits for single-units are up 0.6% while permits for multi-family homes are up 6.8%.

**Implications:** Housing starts fell substantially in June, with declines in both single-family and multi-family starts. However, don't read too much into the drop in the headline number. Starts data tend to be very volatile from month-to-month and last month housing starts dropped 29.6% in the South, the steepest decline ever for any single month in at least the last 50 years for that key region. But, starts increased in all other regions of the country. To find the underlining trend and get rid of monthly volatility we look at the 12-month moving average, which just hit its highest level since October 2008. And, even though starts fell, the total number of homes under construction, (started, but not yet finished) increased 1.1% in June and are up 20.5% versus a year ago. The one conclusion we can make from today's numbers is that multi-family construction is taking the clear lead in the housing recovery. Single-family starts have been essentially flat for almost the past two years, while the trend in multi-family units has been up (although volatile). 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 eventually rise to about 1.5 million units per year (probably around the end of 2015). Although building permits declined in June, it was all due to the volatile multi-family sector; single-family permits rose 2.6%. We expect a rebound in building permits next month. In other news this morning, new claims for unemployment insurance declined 3,000 to 302,000. Continuing claims for jobless benefits dropped 79,000 to 2.51 million. It's early, but plugging these figures into our models suggests a nonfarm payroll gain of 206,000 in July, another solid month.



Housing Starts SAAR, thousands	Monthly % Ch.	Jun-14 Level	May-14 Level	Apr-14 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
<b>Housing Starts</b>	<b>-9.3%</b>	893	985	1063	980	953	7.5%
<b>Northeast</b>	<b>14.1%</b>	105	92	124	107	108	22.1%
<b>Midwest</b>	<b>28.1%</b>	219	171	195	195	152	79.5%
<b>South</b>	<b>-29.6%</b>	375	533	494	467	478	-10.5%
<b>West</b>	<b>2.6%</b>	194	189	250	211	215	-4.9%
<b>Single-Unit Starts</b>	<b>-9.0%</b>	575	632	649	619	611	-4.3%
<b>Multi-Unit Starts</b>	<b>-9.9%</b>	318	353	414	362	342	38.3%
<b>Building Permits</b>	<b>-4.2%</b>	963	1005	1059	1009	996	2.7%
<b>Single-Unit Permits</b>	<b>2.6%</b>	631	615	597	614	606	0.6%

Source: U.S. Census Bureau

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