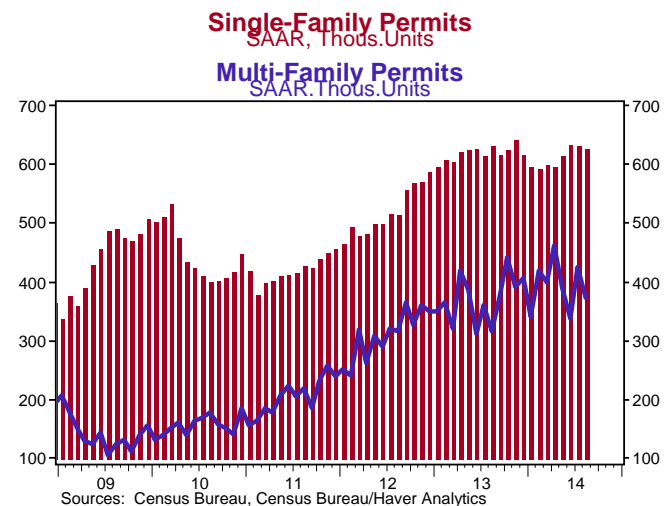
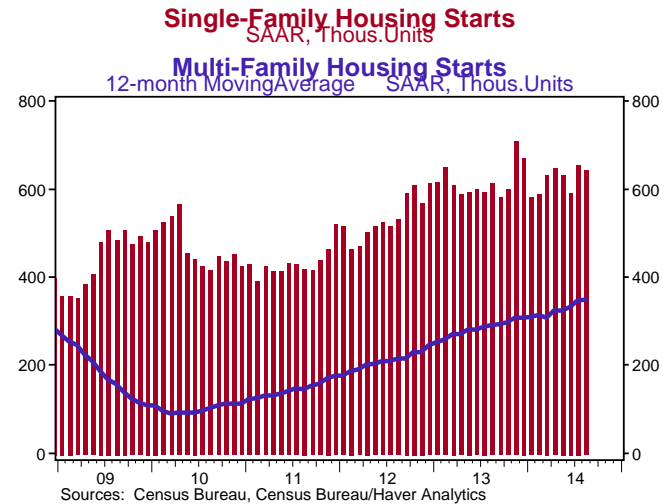


# August Housing Starts

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- Housing starts declined 14.4% in August to a 0.956 million annual rate, coming in below the consensus expected 1.037 million annual rate. Starts are up 8.0% versus a year ago.
- The drop in starts in August was mostly due to a sharp 31.7% fall in multi-family units; single family starts declined 2.4%. In the past year, single-family starts are up 4.2% while multi-family starts are up 16.8%.
- Starts in August declined in all major regions of the country.
- New building permits fell 5.6% in August to a 0.998 million annual rate, coming in below the consensus expected 1.040 million. Compared to a year ago, permits for single-units are down 0.8% while permits for multi-family homes are up 17.4%.

**Implications:** Forget about home building for a minute. The most important economic news today was new claims for unemployment insurance dropping 36,000 last week to 280,000, the lowest level in two months and the second lowest reading since 2000. Continuing unemployment claims fell 63,000 to 2.43 million. As a result, First Trust’s payroll models, which are rated the best in the business by Bloomberg, are tracking another solid month for job growth in September, with an increase of 216,000 nonfarm and 219,000 for the private sector. On the housing front, despite the decline in housing starts in August, don’t let anyone tell you the recovery in home building is over. The 14.4% drop in August comes on the back of a 22.9% gain in July. Starts are volatile from month to month, so to find the underlying trend we look at the 12-month moving average, which now stands at the highest level since October 2008. The total number of homes under construction, (started, but not yet finished) increased 0.6% in August and are up 21.6% versus a year ago. No wonder residential construction jobs are up 123,000 in the past year. Multi-family construction is taking 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 (although volatile). In the past year, 36% 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.



Housing Starts SAAR, thousands	Monthly % Ch.	Aug-14 Level	Jul-14 Level	Jun-14 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
<b>Housing Starts</b>	<b>-14.4%</b>	956	1117	909	994	997	8.0%
<b>Northeast</b>	<b>-12.9%</b>	121	139	95	118	115	24.7%
<b>Midwest</b>	<b>-10.3%</b>	157	175	196	176	172	4.7%
<b>South</b>	<b>-10.9%</b>	474	532	392	466	485	7.5%
<b>West</b>	<b>-24.7%</b>	204	271	226	234	225	3.6%
<b>Single-Unit Starts</b>	<b>-2.4%</b>	643	659	593	632	636	4.2%
<b>Multi-Unit Starts</b>	<b>-31.7%</b>	313	458	316	362	361	16.8%
<b>Building Permits</b>	<b>-5.6%</b>	998	1057	973	1009	1015	5.3%
<b>Single-Unit Permits</b>	<b>-0.8%</b>	626	631	634	630	617	-0.8%

Source: U.S. Census Bureau