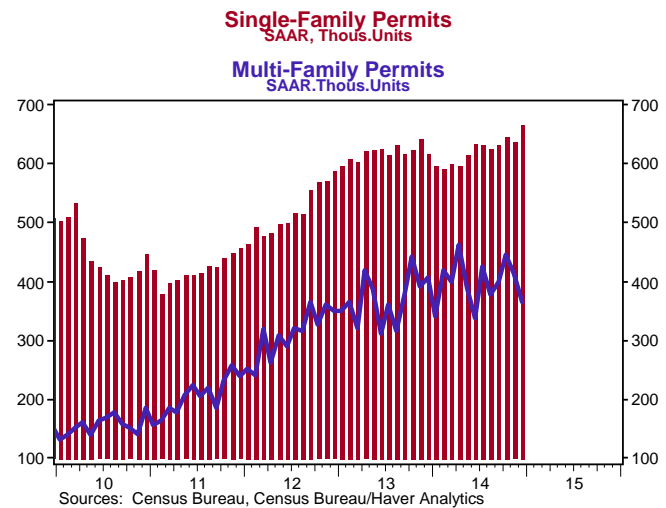
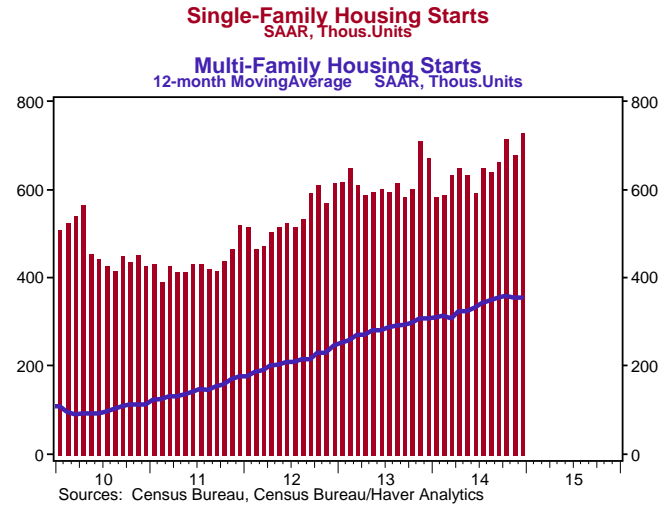


# December Housing Starts

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- Housing starts rose 4.4% in December to a 1.089 million annual rate, coming in well above the consensus expected 1.040 million annual rate. Starts are up 5.3% versus a year ago.
- The rise in starts in December was all due to a 7.2% increase in single-family units; multi-family starts slipped 0.8%. In the past year, single-family starts are up 7.9% while multi-family starts are up 0.6%.
- Starts in December rose in the Northeast, South and West, but declined in the Midwest.
- New building permits declined 1.9% in December to a 1.032 million annual rate, coming in below the consensus expected 1.060 million. Compared to a year ago, permits for single-units are up 8.1% while permits for multi-family homes are down 9.9%.

**Implications:** Home building continues to pick up steam and the recovery still has much further to go. Housing starts rose 4.4% in December, easily beating what the consensus expected, and has shown annualized growth exceeding one million units for a fourth straight month. Overall, more homes were started in 2014 than any year since 2007. The best news in the report was that the gain in December was all due to single-family units, which generate more real GDP per unit than multi-family homes, like apartments. Even the negative news in the report had a silver lining. Building permits fell 1.9% in December, but all of the drop was due to multi-family units, which are very volatile from month to month; permits to build single-family homes hit the highest level since 2008. Until recently, the recovery in home building had been dominated by multi-family units. As a result, the number of multi-family units still under construction is now the highest since 1987, when the last wave of baby Boomers had recently graduated college and filled up apartment buildings. But today’s data adds to the evidence that the recovery in single-family housing is starting to catch up. Over the past two years, multi-family starts have been roughly unchanged while single-family starts are up 18.4%. Multi-family permits are down 9.9% from a year ago, while single-family permits are up 8.1%. The underlying trend in housing clearly remains upward and we expect that to continue. No wonder residential construction jobs are up 132,100 in the past year. Based on population growth and “scrappage,” housing starts should rise to about 1.5 million units per year over the next couple of years. In other recent housing news, yesterday, the NAHB index, which measures confidence among home builders, declined to 57 in January from 58 in December. Readings greater than 50 mean more respondents said conditions were good rather than poor. Given the pick-up in construction, look for sales numbers to pick up as well in the year ahead.



Housing Starts SAAR, thousands	Monthly % Ch.	Dec-14 Level	Nov-14 Level	Oct-14 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
<b>Housing Starts</b>	<b>4.4%</b>	1089	1043	1092	1075	1052	5.3%
<b>Northeast</b>	<b>12.5%</b>	126	112	99	112	116	51.8%
<b>Midwest</b>	<b>-13.3%</b>	163	188	165	172	172	5.2%
<b>South</b>	<b>8.8%</b>	508	467	606	527	515	-1.2%
<b>West</b>	<b>5.8%</b>	292	276	222	263	250	3.5%
<b>Single-Unit Starts</b>	<b>7.2%</b>	728	679	716	708	680	7.9%
<b>Multi-Unit Starts</b>	<b>-0.8%</b>	361	364	376	367	372	0.6%
<b>Building Permits</b>	<b>-1.9%</b>	1032	1052	1092	1059	1045	1.0%
<b>Single-Unit Permits</b>	<b>4.5%</b>	667	638	647	651	640	8.1%

Source: U.S. Census Bureau