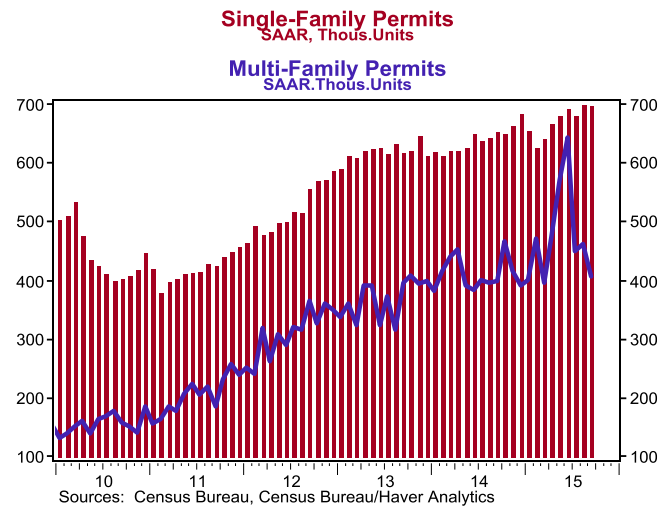
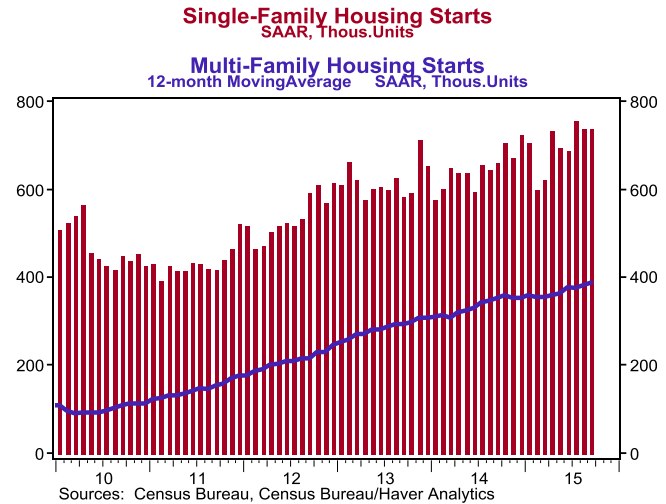


September Housing Starts

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- Housing starts increased 6.5% in September to a 1.206 million annual rate, easily beating the consensus expected 1.142 million rate. Starts are up 17.5% versus a year ago.
- The increase in starts in September was almost all due to an 18.3% gain in multi-family units. Single family units increased 0.3%. In the past year, single-family starts are up 12.0% while multi-family starts are up 27.7%.
- Starts in September rose in the West, Northeast and South, but declined in the Midwest.
- New building permits declined 5.0% in September to a 1.103 million annual rate, coming in below the consensus expected 1.170 million. Compared to a year ago, permits for single-family units are up 6.7% while permits for multi-family homes are up 1.5%.

Implications: Housing starts soared in September to the second highest level in eight years, beating every forecast from all economic groups. Even more, the third quarter had the highest starts for any quarter since 2007. The large increase in September itself was almost all due to multi-family starts, which are extremely volatile from month to month. Housing starts bounce around from month to month, but the underlying trend has been up since 2011 and we expect that trend to continue. Although single-family starts were up only 0.3% in September, they're still up a very healthy 12% from a year ago. The total number of homes under construction (started but not yet finished) increased 1.4% in September and is up 16.6% versus a year ago. Based on population growth and "scrappage," we expect overall housing starts should rise to about 1.5 million units per year by early 2017, so a great deal of the recovery in home building is still ahead of us. The only downer today was that housing permits declined 5% in September. But, like the surge in starts, the drop in permits was driven by the volatile multi-family sector as well. Single-family building permits slipped only 0.3%. Overall permits are up 4.7% versus a year ago while single-family permits are up 6.7%, and we expect further gains in the year ahead. In other recent housing news from yesterday, the NAHB index, which measures confidence among home builders, increased to 64 in October, a 10-year high, versus 61 in September. Readings greater than 50 mean more respondents report good market conditions. Just one year ago, the overall index was at 54, and many said Fed Tapering would drive it lower. But housing continues to grind higher. Expect the sector to remain one of the bright spots in the Plow Horse Economy.



| Housing Starts SAAR, thousands | Monthly % Ch. | Sep-15 Level | Aug-15 Level | Jul-15 Level | 3-mth moving avg | 6-mth moving avg | Yr to Yr % Change |
|-----------------------------------|------------------|-----------------|-----------------|-----------------|---------------------|---------------------|----------------------|
| Housing Starts | 6.5% | 1206 | 1132 | 1152 | 1163 | 1161 | 17.5% |
| Northeast | 23.4% | 137 | 111 | 160 | 136 | 161 | 25.7% |
| Midwest | -12.2% | 137 | 156 | 171 | 155 | 154 | -18.9% |
| South | 0.6% | 621 | 617 | 556 | 598 | 564 | 23.2% |
| West | 25.4% | 311 | 248 | 265 | 275 | 282 | 27.5% |
| Single-Unit Starts | 0.3% | 740 | 738 | 759 | 746 | 726 | 12.0% |
| Multi-Unit Starts | 18.3% | 466 | 394 | 393 | 418 | 435 | 27.7% |
| Building Permits | -5.0% | 1103 | 1161 | 1130 | 1131 | 1187 | 4.7% |
| Single-Unit Permits | -0.3% | 697 | 699 | 680 | 692 | 686 | 6.7% |

Source: U.S. Census Bureau