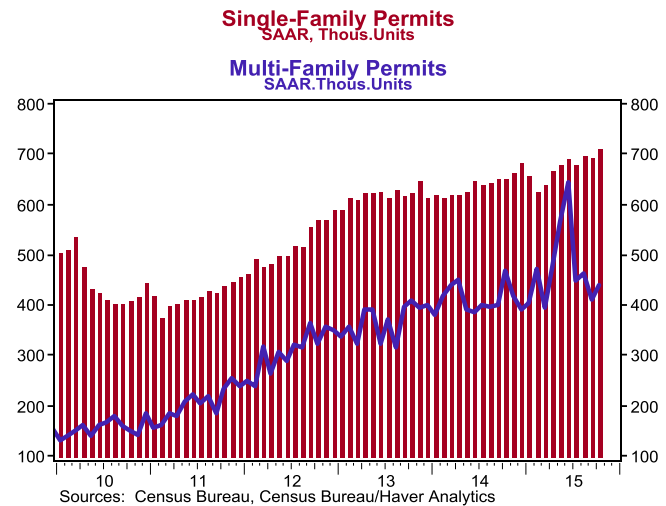
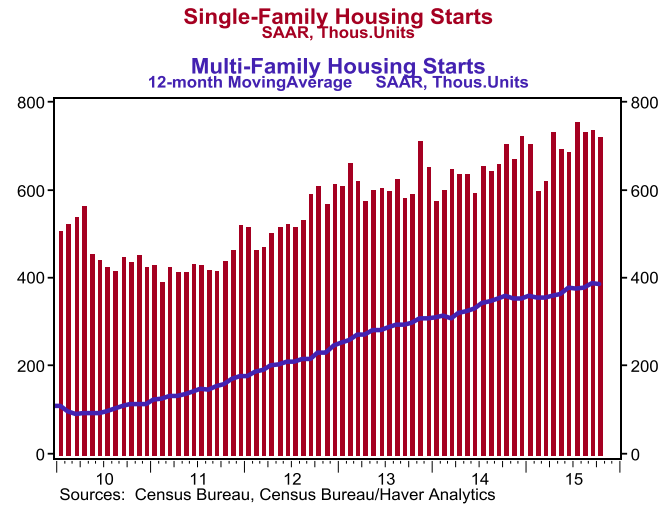


October Housing Starts

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- Housing starts declined 11.0% in October to a 1.060 million annual rate, coming in well below the consensus expected 1.160 million. Starts are down 1.8% versus a year ago.
- The decline in starts in October was mostly due to a drop in multi-family, which fell 25.1%. Single-family starts declined 2.4%. In the past year, single-family starts are up 2.4% while multi-family starts are down 9.6%.
- Starts in October fell in the South and West, but rose in the Northeast and Midwest.
- New building permits rose 4.1% in October to a 1.150 million annual rate, coming in slightly above the consensus expected 1.147 million. Compared to a year ago, permits for single-family units are up 9.0% while permits for multi-family homes are down 6.2%.

Implications: Housing starts fell 11% in October, giving back more than all of the gain in September and then some. However, we continue to expect robust gains in home building in the year ahead and can think of at least four reasons not to worry. First, volatility in overall starts is typical and was driven by even more volatile multi-family starts, which fell 25.1% in October, after jumping 18.1% in September. Second, starts plummeted in the South as big storms and floods likely disrupted builders’ plans to break ground. Third, building permits rose in October, while permits to build single-family homes hit their highest level since 2007. And fourth, the total number of homes under construction (started but not yet finished) increased 0.9% in October and is up 16.4% versus a year ago. The number of single-family homes under construction are up 14% in the past year and are at the highest level since 2008. The number of multi-family units under construction stands at the highest since the mid-1980s. Add it all up, and it’s clear that builders were very busy in October, even though ground breaking took a breather. Based on population growth and “scrappage,” we expect overall housing starts should rise to about 1.5 million units per year by 2017, so a great deal of the recovery in home building is still ahead of us. Expect the housing sector to remain one of the bright spots in the Plow Horse Economy.



Housing Starts SAAR, thousands	Monthly % Ch.	Oct-15 Level	Sep-15 Level	Aug-15 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-11.0%	1060	1191	1116	1122	1134	-1.8%
Northeast	10.2%	140	127	110	126	151	40.0%
Midwest	15.0%	161	140	146	149	152	-0.6%
South	-18.6%	506	622	615	581	560	-15.1%
West	-16.2%	253	302	245	267	271	14.5%
Single-Unit Starts	-2.4%	722	740	734	732	723	2.4%
Multi-Unit Starts	-25.1%	338	451	382	390	411	-9.6%
Building Permits	4.1%	1150	1105	1161	1139	1189	2.7%
Single-Unit Permits	2.4%	711	694	699	701	693	9.0%

Source: U.S. Census Bureau