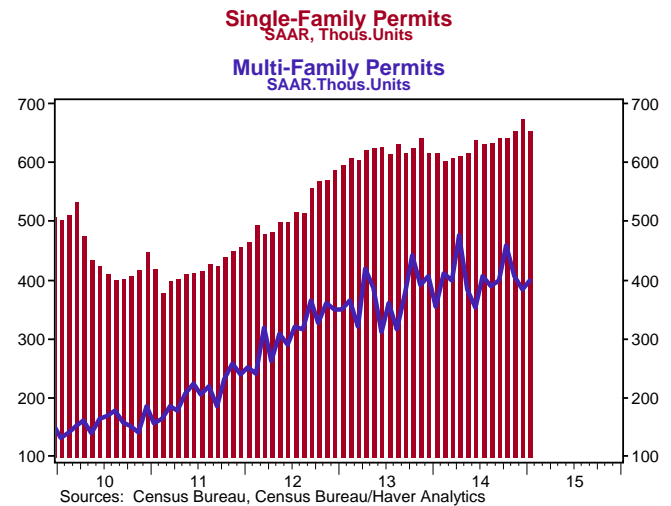
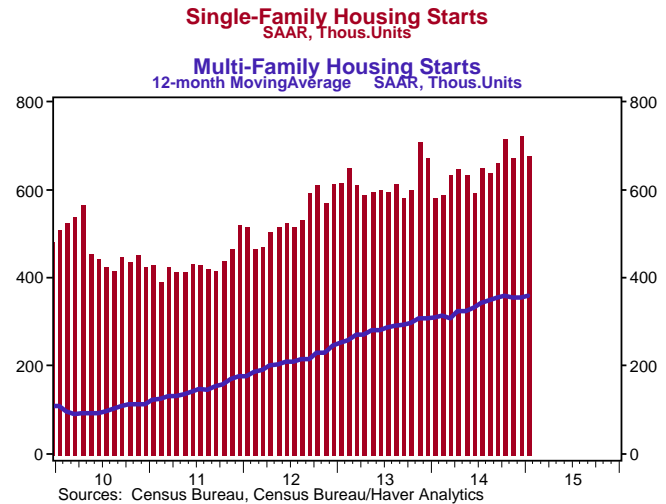


January Housing Starts

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- Housing starts declined 2.0% in January to a 1.065 million annual rate, coming in slightly below the consensus expected 1.070 million annual rate. Starts are up 18.7% versus a year ago.
- The decline in starts in January was all due to a 6.7% drop in single-family units; multi-family starts rose 7.5%. In the past year, single-family starts are up 16.3% while multi-family starts are up 23.2%.
- Starts in January declined in the Midwest, Northeast and West, but increased in the South.
- New building permits declined 0.7% in January to a 1.053million annual rate, coming in below the consensus expected 1.067 million. Compared to a year ago, permits for single-units are up 5.8% while permits for multi-family homes are up 12.1%.

Implications: Another Plow Horse report on home building. Housing starts dropped in January, but we still think the underlying upward trend remains intact and expect it to continue for the next couple of years. The 2% decline in January was all due to single-family units, which were down 6.7%. To smooth out the monthly volatility we look at the 12-month moving average for overall housing starts (including both single-family and multiple-family units), which is at the highest level since September 2008. Moreover, the pace in January exceeded a 1 million annualized pace for the fifth consecutive month, the first time that's happened since 2008. The total number of homes under construction, (started, but not yet finished) increased 1.1% in January and are up 17.5% versus a year ago. No wonder residential construction jobs are up 162,000 in the past year. Multi-family construction rose 7.5% in January continues to be the strongest area of home building. Single-family starts are up 57.7% in the past four years versus a gain in multi-family units of 93.5%. 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. Given the improvement in the overall economy, in the next couple of years, we expect single-family construction to grow faster than multi-family units, which should help add more to GDP. Based on population growth and "scrappage," housing starts should rise to about 1.5 million units per year over the next couple of years, so a great deal of the recovery in home building is still ahead of us. In other recent housing news, the NAHB index, which measures confidence among home builders, declined to 55 in February from 57 in January. Readings greater than 50 mean more respondents said conditions were good. Expect more Plow Horse-like gains in housing in the year ahead.



Housing Starts SAAR, thousands	Monthly % Ch.	Jan-15 Level	Dec-14 Level	Nov-14 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-2.0%	1065	1087	1015	1056	1042	18.7%
Northeast	-3.5%	111	115	110	112	109	-4.3%
Midwest	-22.2%	140	180	175	165	168	125.8%
South	6.5%	528	496	454	493	510	9.1%
West	-3.4%	286	296	276	286	254	21.7%
Single-Unit Starts	-6.7%	678	727	674	693	683	16.3%
Multi-Unit Starts	7.5%	387	360	341	363	359	23.2%
Building Permits	-0.7%	1053	1060	1060	1058	1056	8.1%
Single-Unit Permits	-3.1%	654	675	654	661	650	5.8%

Source: U.S. Census Bureau