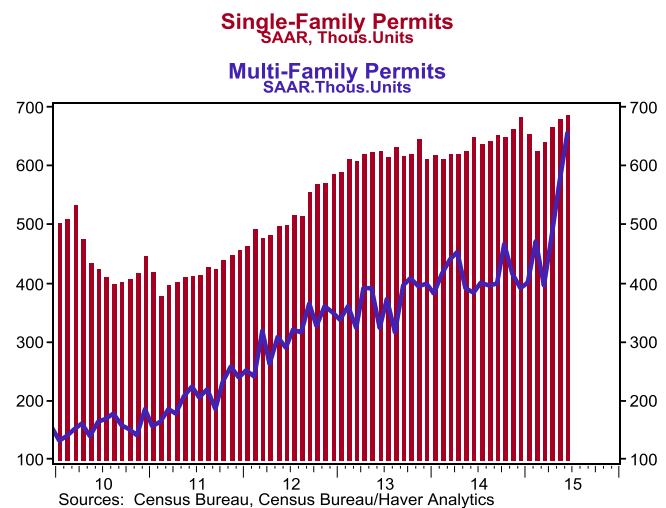
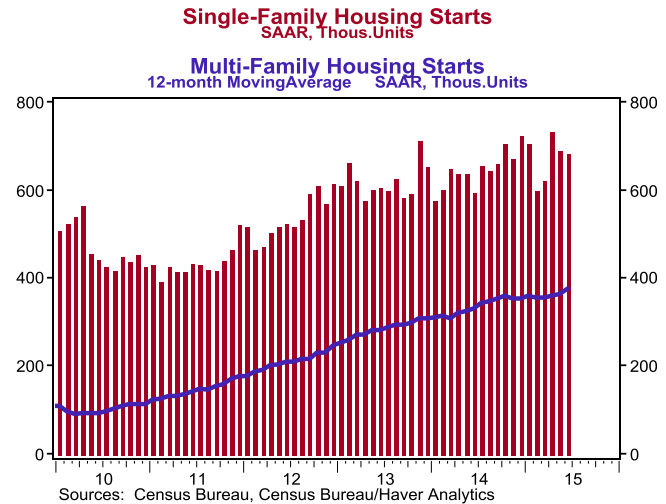


June Housing Starts

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- Housing starts increased 9.8% in June to a 1.174 million annual rate, coming in well above the consensus expected 1.106 million. Starts are up 26.6% versus a year ago.
- The increase in starts in June was all due to a 29.4% gain in multi-family units. Single-family starts declined 0.9%. In the past year, single-family starts are up 14.7% while multi-family starts are up 48.2%.
- Starts in June increased in the Northeast and South, but declined in the West and Midwest.
- New building permits rose 7.4% in June to a 1.343 million annual rate, coming in well above the consensus expected 1.150 million. Compared to a year ago, permits for single-family units are up 6.0% while permits for multi-family homes are up 70.4%.

Implications: Housing starts soared in June and the pace of starts in the second quarter as a whole was the fastest since 2007. The huge increase in June itself was all due to multi-family starts, which are extremely volatile from month to month. As a result, don't be surprised by a temporary pullback in the headline number next month. However, the underlying trend has been up since 2011 and we expect that trend to continue. Although single-family starts declined 0.9% in June, they're still up a very healthy 14.7% from a year ago. The best news today was that housing permits rose 7.4% in June on the back of a 9.6% gain in May and a 9.8% gain in April. The 29.4% increase in the past three months is the largest since 1982, and permits are now the highest since July 2007. This is great news for future construction gains and these figures support our view that concerns about the economy based on the first quarter are misplaced. The economy looks to have grown 3% in the second quarter. The total number of homes under construction (started but not yet finished) increased 0.9% in June and is up 15.1% versus a year ago. Based on population growth and "scrappage," overall 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, was unchanged at 60 in July. Readings greater than 50 mean more respondents report good market conditions. Just one year ago, the overall index was at 53. In other news yesterday, the Philly Fed Index, which measures factory sentiment in that region, declined to 5.7 in July versus 15.2 in June, signaling continued growth but not as strong as in June. In addition, initial claims for unemployment insurance declined 15,000 last week to 281,000, the 19th straight week below 300,000. Continuing claims for regular state benefits declined 112,000 to 2.22 million. These claims numbers are at rock bottom levels and are about as good as it gets. Plugging these figures into our models suggests payrolls are growing around 210,000 in July.



Housing Starts SAAR, thousands	Monthly % Ch.	Jun-15 Level	May-15 Level	Apr-15 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	9.8%	1174	1069	1190	1144	1061	26.6%
Northeast	35.5%	206	152	193	184	134	112.4%
Midwest	-0.7%	145	146	167	153	141	-27.5%
South	13.5%	571	503	525	533	526	42.8%
West	-6.0%	252	268	305	275	260	9.6%
Single-Unit Starts	-0.9%	685	691	735	704	673	14.7%
Multi-Unit Starts	29.4%	489	378	455	441	388	48.2%
Building Permits	7.4%	1343	1250	1140	1244	1155	30.0%
Single-Unit Permits	0.9%	687	681	666	678	660	6.0%

Source: U.S. Census Bureau