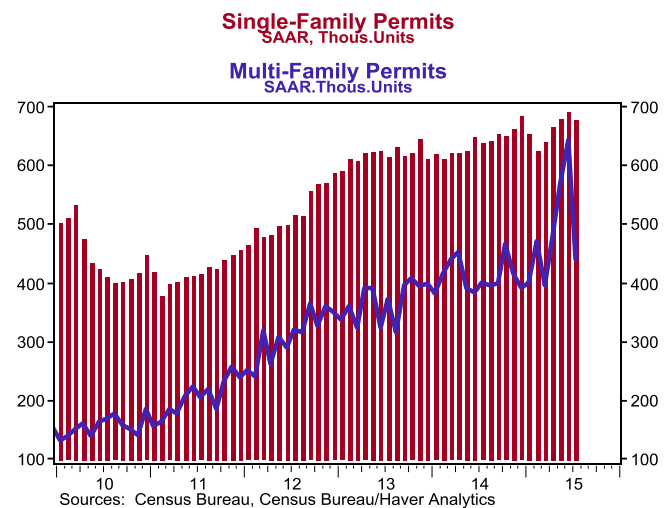
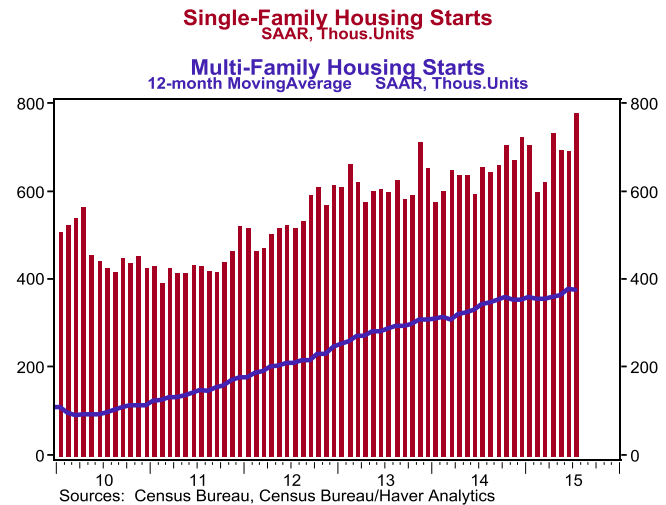


July Housing Starts

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- Housing starts increased 0.2% in July to a 1.206 million annual rate, coming in above the consensus expected 1.180 million. Starts are up 10.1% versus a year ago.
- The increase in starts in July was all due to a 12.8% gain in single-family units. Multi-family starts declined 17.0%. In the past year, single-family starts are up 19.0% while multi-family starts are down 3.2%.
- Starts in July increased in the Midwest and South, but declined in the West and Northeast.
- New building permits declined 16.3% in July to a 1.119 million annual rate, coming in below the consensus expected 1.225 million. Compared to a year ago, permits for single-family units are up 6.1% while permits for multi-family homes are up 9.7%.

Implications: Another strong report on the home building sector. After booming in June, housing starts rose another 0.2% in July to a 1.206 million annual rate, the highest level since 2007. More importantly, the increase in July was all due to a 12.8% gain in single-family starts, which are much less volatile from month to month, add more (per unit) to GDP than multi-family units, and are up 19.0% from a year ago. The underlying trend for overall starts has been up since 2011 and we expect that trend to continue. Although permits for future building fell 16.3% in July, a huge drop, this comes on the back of the largest three-month gain since 1982. Some of that gain can be attributed to tax incentives for builders in New York that expired on June 15th. Builders tried to squeeze in as many permits as they could before the expiration. So it makes sense that permits declined by 60% in the Northeast in July. The decline in overall permits, as the chart to the right shows, just brings us more in line with underlying trend, which continues to move higher. The total number of homes under construction (started but not yet finished) increased 2.0% in July and is up 14.9% versus a year ago. Based on population growth and “scrapage,” overall housing starts should rise to about 1.5 million units per year over the next year or so, which means a large part 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, increased to 61 in August, the highest reading since November 2005. Readings greater than 50 mean more respondents report good market conditions. Just one year ago, the overall index was at 55. Also yesterday, the Empire State index, a measure of manufacturing sentiment in New York, came in at -14.9 in August, the lowest since April 2009, versus 3.9 in July. However, we think this is an outlier and not the start of some new negative trend. The same survey showed that New York manufacturers were the most optimistic about the future than at any time in the past four months, a sign the slowdown seen in August is likely to be short lived.



Housing Starts SAAR, thousands	Monthly % Ch.	Jul-15 Level	Jun-15 Level	May-15 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	0.2%	1206	1204	1072	1161	1088	10.1%
Northeast	-27.5%	161	222	143	175	144	15.8%
Midwest	20.1%	179	149	147	158	148	10.5%
South	7.7%	589	547	511	549	532	11.6%
West	-3.1%	277	286	271	278	264	4.1%
Single-Unit Starts	12.8%	782	693	697	724	688	19.0%
Multi-Unit Starts	-17.0%	424	511	375	437	399	-3.2%
Building Permits	-16.3%	1119	1337	1250	1235	1164	7.5%
Single-Unit Permits	-1.9%	679	692	681	684	664	6.1%

Source: U.S. Census Bureau