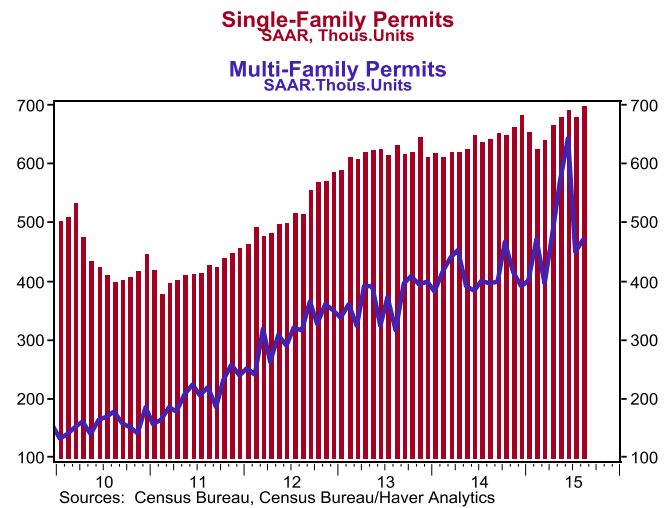
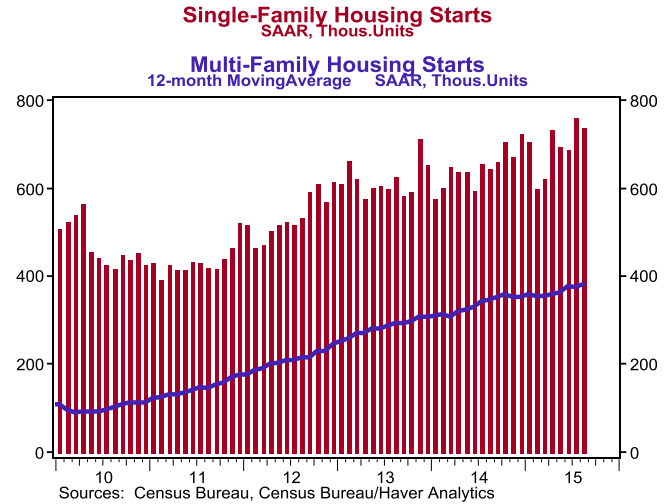


August Housing Starts

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- Housing starts declined 3.0% in August to a 1.126 million annual rate, coming in below the consensus expected 1.160 million. Starts are up 16.6% versus a year ago.
- The decline in starts in August was due to a 3.0% drop in both single-family and multi-family units. In the past year, single-family starts are up 14.9% while multi-family starts are up 19.8%.
- Starts in August fell in the Northeast, Midwest and West, but rose in the South.
- New building permits increased 3.5% in August to a 1.170 million annual rate, coming in above the consensus expected 1.159 million. Compared to a year ago, permits for single-family units are up 8.7% while permits for multi-family homes are up 18.6%.

Implications: Hold off on home building for a moment. Initial claims for unemployment insurance fell 11,000 last week to 264,000, the lowest level in two months and the 28th consecutive week below 300,000. This, paired with a decline in continuing claims to 2.237 million, signals continued improvement in the labor market and provides yet another reason for the Fed to raise interest rates today. Right now, we’re expecting payroll gains of about 200,000 in September. Now back to housing. Home building took a breather in August, declining 3% to a 1.126 million annual rate. However, starts are still up 16.6% versus a year ago and we expect that trend to continue through at least the end of next year. Based on population growth and “scrappage,” overall housing starts should rise to about 1.5 million units per year, which means a large part of the recovery in home building is still ahead of us. Signaling further gains ahead, permits for future building rose 3.5% in August and single-family permits are now at the highest level since January 2008. The total number of homes under construction (started but not yet finished) increased 1.3% in August and is up 16% versus a year ago. In other recent housing news, the NAHB index, which measures confidence among home builders, increased to 62 in September, the highest reading since October 2005. Readings greater than 50 mean more respondents report good market conditions. The worst news today was that the Philly Fed Index, which measures factory sentiment in that region, declined to -6.0 in September versus +8.3 in August. This is consistent with recent weakness in the Empire State index and may signal some weakness in national manufacturing sentiment. However, these indexes measure short-term sentiment better than actual activity and we expect the manufacturing sector to continue to grow in the year ahead.



Housing Starts SAAR, thousands	Monthly % Ch.	Aug-15 Level	Jul-15 Level	Jun-15 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-3.0%	1126	1161	1211	1166	1119	16.6%
Northeast	-33.7%	108	163	223	165	155	0.9%
Midwest	-9.8%	157	174	147	159	156	-12.8%
South	7.1%	602	562	552	572	544	26.2%
West	-1.1%	259	262	289	270	265	28.2%
Single-Unit Starts	-3.0%	739	762	687	729	707	14.9%
Multi-Unit Starts	-3.0%	387	399	524	437	412	19.8%
Building Permits	3.5%	1170	1130	1337	1212	1178	12.5%
Single-Unit Permits	2.8%	699	680	692	690	677	8.7%

Source: U.S. Census Bureau