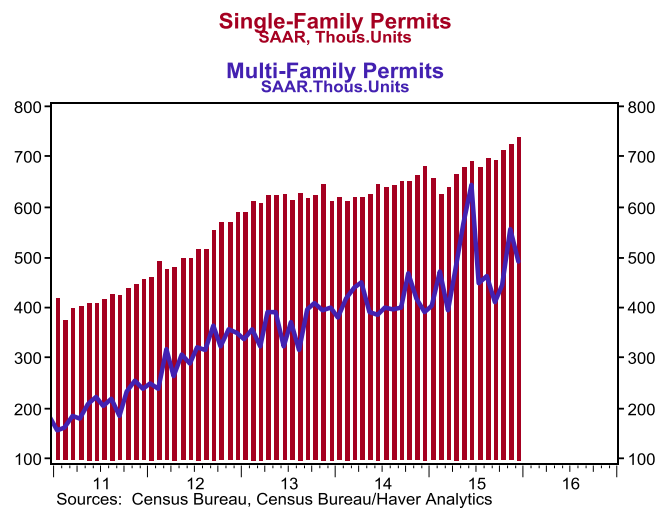
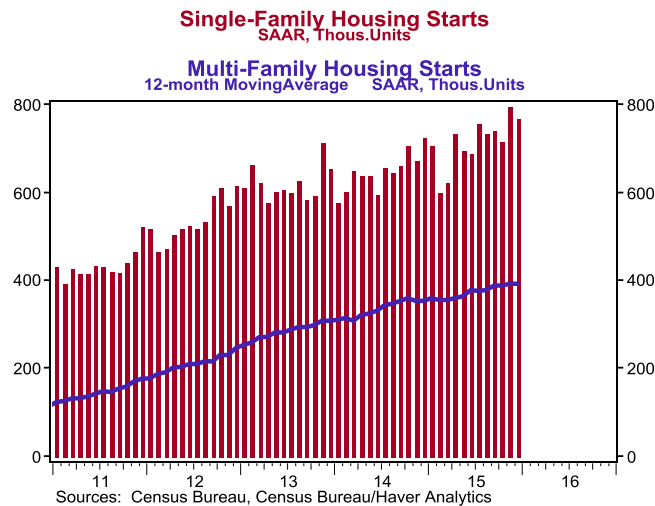


# December Housing Starts

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- Housing starts declined 2.5% in December to a 1.149 million annual rate, coming in well below the consensus expected 1.200 million. Starts are up 6.4% versus a year ago.
- The decline in starts in December was primarily due to single – family starts, but multi-family units dropped slightly as well. In the past year, single-family starts are up 6.1% while multi-family starts are up 7.0%.
- Starts in December declined in the Midwest, South and West, and rose in the Northeast.
- New building permits slipped 3.9% in December to a 1.232 million annual rate, coming in above the consensus expected 1.200 million. Compared to a year ago, permits for single-family units are up 8.0% while permits for multi-family homes are up 25.5%.

**Implications:** Despite the drop in housing starts in December, the home building recovery is alive and well. Although housing starts fell by 2.5% in December to a 1.149 million annual rate, this comes on the back of a 10.1% gain in November and starts are still up 6.4% from a year ago. Many analysts (including us), thought unusually warm December weather would lead to a further gain in starts. This past December was the warmest for the most people since at least 1949. That’s probably why starts increased 24.4% in the Northeast, which enjoyed that mild weather. However, it was also the wettest December in the lower 48 states since at least 1921, and that likely suppressed starts around the rest of the country. Month-to-month variations can be large so to take out the volatility in starts we look at the 12-month moving average, which is the highest since 2008 and up 10.6% from a year ago. Meanwhile, although permits to build homes also fell in December, that drop was all due to volatile multi-family permits; single-family permits rose 1.8%. Overall permits are up 14.4% versus a year ago while single-family permits are up a solid 8%. We expect housing to continue to be a bright spot in 2016-17. The total number of homes under construction (started but not yet finished) increased 1.7% in December and are up 18.5% versus a year ago. Based on population growth and “scrappage,” we expect overall housing starts to 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. In other recent housing news from yesterday, the NAHB index, which measures confidence among home builders, was unchanged at 60 in January. Readings greater than 50 mean more respondents report good market conditions. One year ago, the overall index was at 57, and many said Fed tapering would drive it lower. But housing continues to grind higher. Even with higher short-term rates, expect the sector to keep adding to real GDP growth in 2016.



Housing Starts SAAR, thousands	Monthly % Ch.	Dec-15 Level	Nov-15 Level	Oct-15 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
<b>Housing Starts</b>	<b>-2.5%</b>	1149	1179	1071	1133	1146	6.4%
<b>Northeast</b>	<b>24.4%</b>	163	131	136	143	138	44.2%
<b>Midwest</b>	<b>-12.4%</b>	148	169	173	163	157	-11.9%
<b>South</b>	<b>-3.3%</b>	583	603	514	567	585	16.6%
<b>West</b>	<b>-7.6%</b>	255	276	248	260	265	-14.7%
<b>Single-Unit Starts</b>	<b>-3.3%</b>	768	794	715	759	752	6.1%
<b>Multi-Unit Starts</b>	<b>-1.0%</b>	381	385	356	374	394	7.0%
<b>Building Permits</b>	<b>-3.9%</b>	1232	1282	1161	1225	1179	14.4%
<b>Single-Unit Permits</b>	<b>1.8%</b>	740	727	715	727	709	8.0%

Source: U.S. Census Bureau