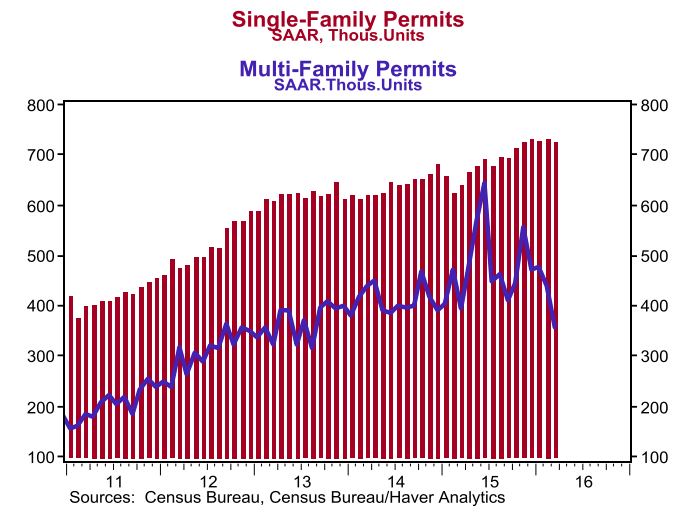
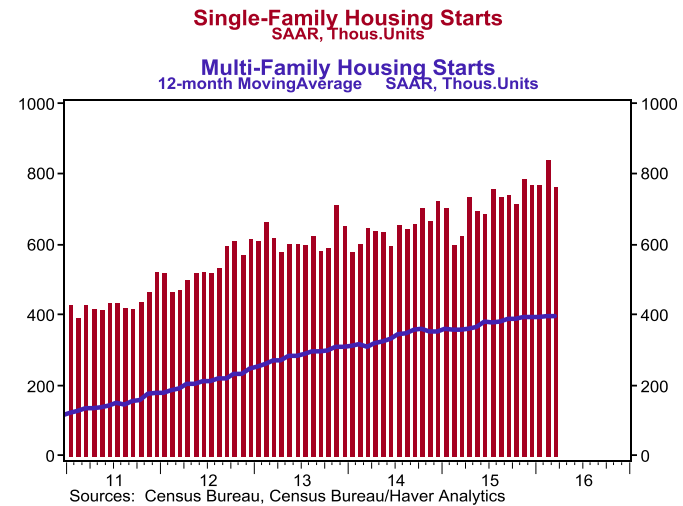


March Housing Starts

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- Housing starts declined 8.8% in March to a 1.089 million annual rate, coming in well below the consensus expected 1.166 million. Starts are up 14.2% versus a year ago.
- The drop in starts in March was mostly due to a decline in single-family units, but multi-family units fell as well. In the past year, single-family starts are up 22.6% while multi-family starts are down 1.8%.
- Starts in March declined in the West, Midwest, and South, but rose in the Northeast.
- New building permits slipped 7.7% in March to a 1.086 million annual rate, coming in short of the consensus expected 1.200 million. Compared to a year ago, permits for single-family units are up 13.2% while permits for multi-family homes are down 9.3%.

Implications: After a large gain in February, housing starts pulled back in March, falling well short of consensus expectations. However, in spite of the 8.8% drop in March to a 1.089 million annual rate, housing starts are still up 14.2% from a year ago, powered by a surge in single-family units. We believe the housing recovery is still alive and well and the trend will be higher in the months and years to come. The rapid gain in single-family starts over the past year is important because, on average, each single-family home contributes to GDP about twice the amount of a multi-family unit. Since the housing recovery started, multi-family construction has generally led the way. The number of multi-family units currently under construction is the highest since the early 1970s. But the *share* of all housing starts that are multi-family appears to have peaked last year as single-family building has recently accelerated. This doesn't mean multi-family construction is declining for good, just that it will likely grow more slowly from here as single-family construction grows more quickly. To help get rid of the monthly volatility in overall starts, we look at the 12-month moving average, which is the highest since 2008. Meanwhile, although permits slipped in March, they're still up 4.6% versus a year ago while single-family permits are up a strong 13.2%. Based on population growth and "scrappage," housing starts should rise to about 1.5 million units per year, 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, remained unchanged at 58 in April. Readings greater than 50 mean more respondents report good market conditions. One year ago, the overall index was at 56. It won't be a straight line higher, but expect the housing sector to keep adding to real GDP growth in 2016.



Housing Starts SAAR, thousands	Monthly % Ch.	Mar-16 Level	Feb-16 Level	Jan-16 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-8.8%	1089	1194	1117	1133	1134	14.2%
Northeast	61.3%	121	75	146	114	127	21.0%
Midwest	-25.4%	150	201	154	168	169	5.6%
South	-8.4%	555	606	573	578	575	8.6%
West	-15.7%	263	312	244	273	264	30.8%
Single-Unit Starts	-9.2%	764	841	771	792	774	22.6%
Multi-Unit Starts	-7.9%	325	353	346	341	360	-1.8%
Building Permits	-7.7%	1086	1177	1204	1156	1186	4.6%
Single-Unit Permits	-1.2%	727	736	728	730	728	13.2%

Source: U.S. Census Bureau

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