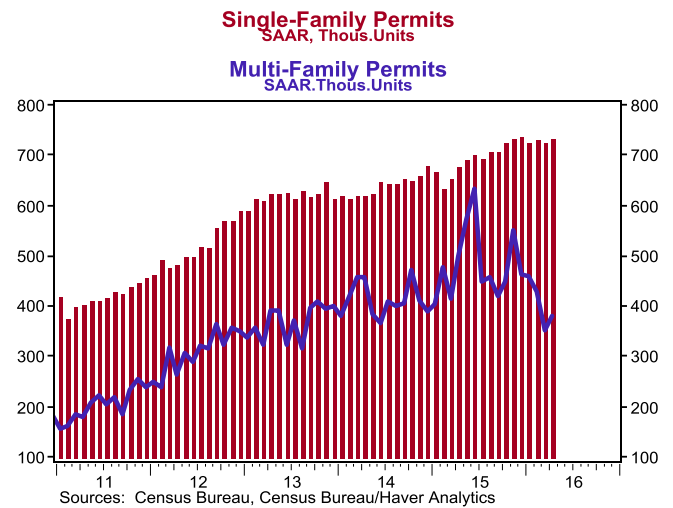
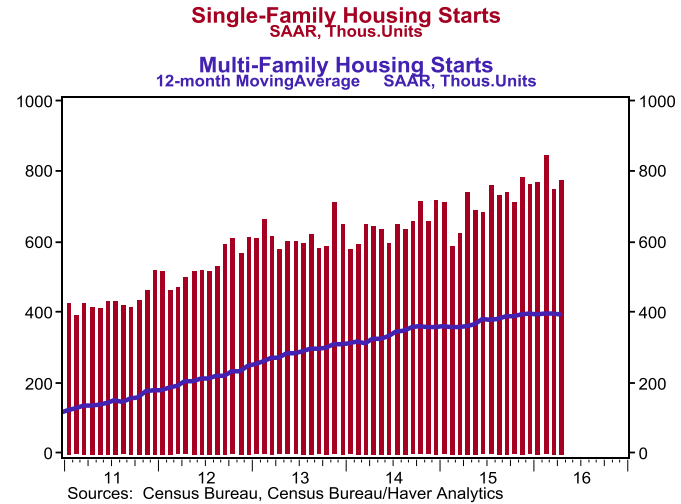


April Housing Starts

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- Housing starts increased 6.6% in April to a 1.172 million annual rate, easily beating the consensus expected 1.125 million. Starts are down 1.7% versus a year ago.
- The rise in starts in April was due to gains in both single-family and multi-family units. In the past year, single-family starts are up 4.3% while multi-family starts are down 11.7%.
- Starts in April rose in the Midwest and South, but fell in the West and Northeast.
- New building permits rose 3.6% in April to a 1.116 million annual rate, coming in short of the consensus expected 1.135 million. Compared to a year ago, permits for single-family units are up 8.4% while permits for multi-family homes are down 23.8%.

Implications: After a large decline in March, housing starts shot back up in April, easily beating consensus expectations. Although starts in April were down 1.7% from a year ago, this is not something to worry about. Bad weather held down starts at the beginning of 2015, followed by a 23.7% surge in April 2015, so the year-ago comparison for this particular month is unusually tough. If starts are unchanged in May, they'll be up 10.3% from a year ago, which is a more accurate picture of the underlying trend. Within that upward trend, we're seeing a better "mix" of home building. When the housing recovery started, multi-family construction 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 and single-family building is starting to climb more quickly. Single-family starts are up 4.3% from a year ago while multi-family starts are down 11.7%. Meanwhile, single-family building permits are up 8.4% from a year ago while multi-family permits are down 23.8%. The shift in the mix of homes toward single-family units is a positive because, on average, each single-family home contributes to GDP about twice the amount of a multi-family unit. Based on population growth and "scrapage," 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 May. Readings greater than 50 mean more respondents report good market conditions. One year ago, the overall index was at 54. 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. | Apr-16 Level | Mar-16 Level | Feb-16 Level | 3-mth moving avg | 6-mth moving avg | Yr to Yr % Change |
|-----------------------------------|------------------|-----------------|-----------------|-----------------|---------------------|---------------------|----------------------|
| Housing Starts | 6.6% | 1172 | 1099 | 1213 | 1161 | 1157 | -1.7% |
| Northeast | -7.6% | 134 | 145 | 80 | 120 | 131 | -29.8% |
| Midwest | 22.2% | 187 | 153 | 211 | 184 | 173 | 11.3% |
| South | 14.1% | 616 | 540 | 612 | 589 | 591 | 18.2% |
| West | -10.0% | 235 | 261 | 310 | 269 | 262 | -24.7% |
| Single-Unit Starts | 3.3% | 778 | 753 | 845 | 792 | 784 | 4.3% |
| Multi-Unit Starts | 13.9% | 394 | 346 | 368 | 369 | 374 | -11.7% |
| Building Permits | 3.6% | 1116 | 1077 | 1162 | 1118 | 1172 | -5.3% |
| Single-Unit Permits | 1.5% | 736 | 725 | 733 | 731 | 732 | 8.4% |

Source: U.S. Census Bureau