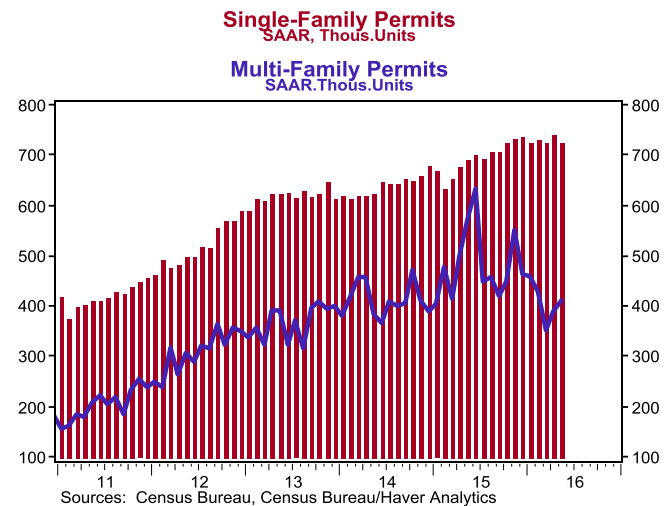
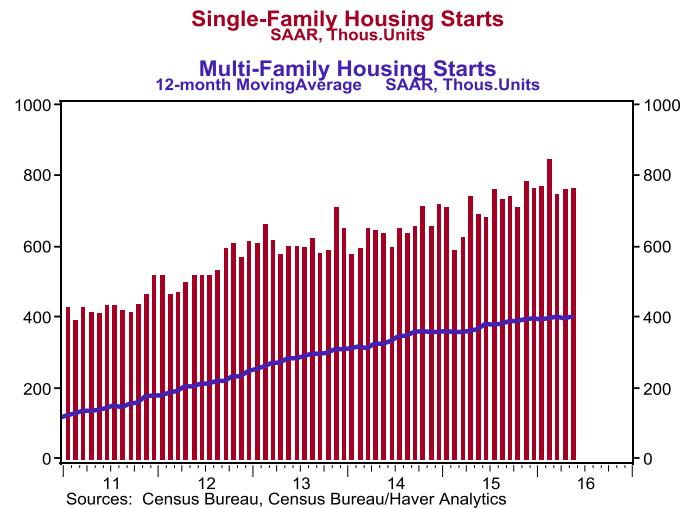


May Housing Starts

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- Housing starts declined 0.3% in May to a 1.164 million annual rate, beating the consensus expected 1.150 million. Starts are up 9.5% versus a year ago.
- The decline in starts in May was due to a drop in multi-family units. Single-family units rose 0.3%. In the past year, single-family starts are up 10.1% while multi-family starts are up 8.4%.
- Starts in May declined in the Northeast and Midwest, but rose in the West and South.
- New building permits rose 0.7% in May to a 1.138 million annual rate, coming in short of the consensus expected 1.145 million. Compared to a year ago, permits for single-family units are up 4.8% while permits for multi-family homes are down 28.1%.

Implications: Home building continues to be a bright spot for the US economy. After a large gain in April, housing starts were basically unchanged in May, declining 0.3%, but beating consensus expectations. Housing starts are now up 9.5% from a year ago and are clearly in an upward trend, with improvement in both single-family and multi-family construction. To help get rid of the monthly volatility, we look at the 12-month moving average, which is the highest since 2008. 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. This trend should continue. Single-family building permits are up 4.8% from a year ago while multi-family permits are down 28.1%. 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 "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. It won't be a straight line higher, but expect the housing sector to keep adding to real GDP growth in 2016-17. In other recent housing news, the NAHB index, which measures sentiment among home builders, rose to 60 in June, the highest level since January. More jobs and faster wage growth are making it easier to buy a home and builders are responding.



Housing Starts SAAR, thousands	Monthly % Ch.	May-16 Level	Apr-16 Level	Mar-16 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-0.3%	1164	1167	1113	1148	1158	9.5%
Northeast	-33.3%	82	123	154	120	124	-42.7%
Midwest	-2.5%	199	204	159	187	182	37.2%
South	1.5%	613	604	540	586	590	20.7%
West	14.4%	270	236	260	255	262	1.1%
Single-Unit Starts	0.3%	764	762	751	759	777	10.1%
Multi-Unit Starts	-1.2%	400	405	362	389	381	8.4%
Building Permits	0.7%	1138	1130	1077	1115	1149	-10.1%
Single-Unit Permits	-2.0%	726	741	725	731	732	4.8%

Source: U.S. Census Bureau