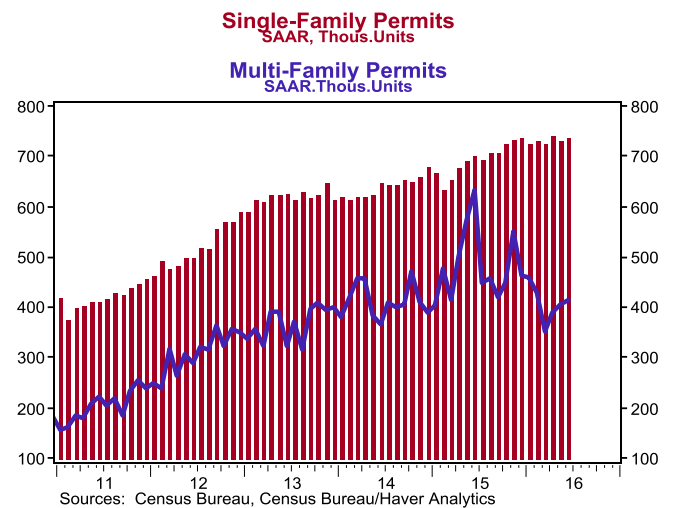
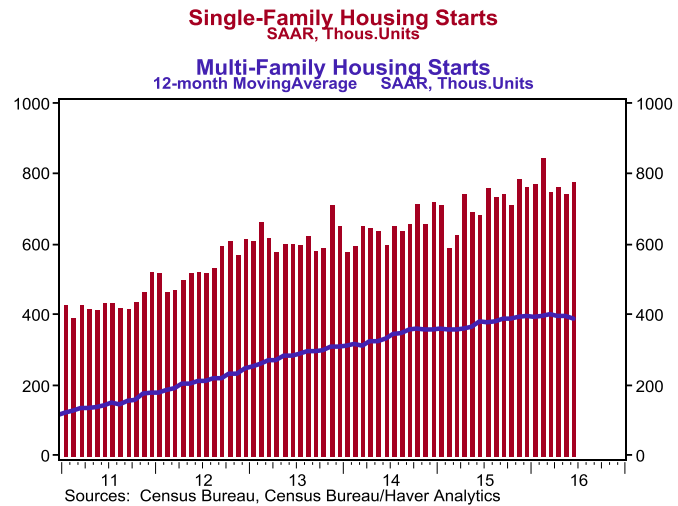


# June Housing Starts

**Brian S. Wesbury** – Chief Economist  
**Robert Stein, CFA** – Dep. Chief Economist  
**Strider Ellass** – Economist

- Housing starts rose 4.8% in June to a 1.189 million annual rate, beating the consensus expected 1.165 million. Starts are down 2.0% versus a year ago.
- The increase in starts in June was due to gains in both single and multi-family units. In the past year, single-family starts are up 13.4% while multi-family starts are down 22.0%.
- Starts in June rose in the Northeast and West, but declined in the Midwest and South.
- New building permits rose 1.5% in June to a 1.153 million annual rate, narrowly beating a consensus expected 1.150 million. Compared to a year ago, permits for single-family units are up 5.1% while permits for multi-family homes are down 34.3%.

**Implications:** Home building continues to be a bright spot for the US economy. Housing starts rose 4.8% in June, beating consensus expectations. In fact, the pace of starts in the second quarter as a whole was the fastest since 2007. While starts are 2% below a year ago, that’s due to a surge in multi-family home building in June of last year, which made it the strongest month for overall home building in all of 2015. Starts in June this year were a solid 7.3% higher than the average for all of 2015. Moreover, the “mix” of homes being built is improving. When the housing recovery started, multi-family construction generally led the way. The number of multi-family units now under construction is the highest since the early 1970s. But the *share* of all housing starts that are multi-family appears to have peaked in 2014-15 and single-family building is starting to climb more quickly. This trend should continue. Single-family building permits are up 5.1% from a year ago while multi-family permits are down 34.3%. The shift in the mix of homes toward single-family units is a positive one 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. 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, slipped to 59 in July from 60 in June. However, 59 is still well above 50, showing that the index remains in healthy expansion territory. More jobs and faster wage growth are making it easier to buy a home and builders are responding.



Housing Starts SAAR, thousands	Monthly % Ch.	Jun-16 Level	May-16 Level	Apr-16 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
<b>Housing Starts</b>	<b>4.8%</b>	1189	1135	1155	1160	1156	-2.0%
<b>Northeast</b>	<b>46.3%</b>	117	80	119	105	116	-47.8%
<b>Midwest</b>	<b>-5.2%</b>	184	194	203	194	184	26.0%
<b>South</b>	<b>-3.4%</b>	571	591	596	586	582	3.4%
<b>West</b>	<b>17.4%</b>	317	270	237	275	273	8.9%
<b>Single-Unit Starts</b>	<b>4.4%</b>	778	745	764	762	776	13.4%
<b>Multi-Unit Starts</b>	<b>5.4%</b>	411	390	391	397	379	-22.0%
<b>Building Permits</b>	<b>1.5%</b>	1153	1136	1130	1140	1141	-13.6%
<b>Single-Unit Permits</b>	<b>1.0%</b>	738	731	741	737	733	5.1%

Source: U.S. Census Bureau