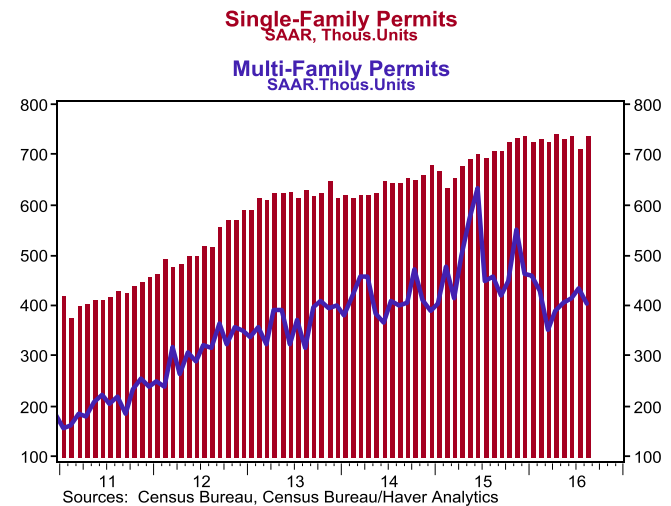
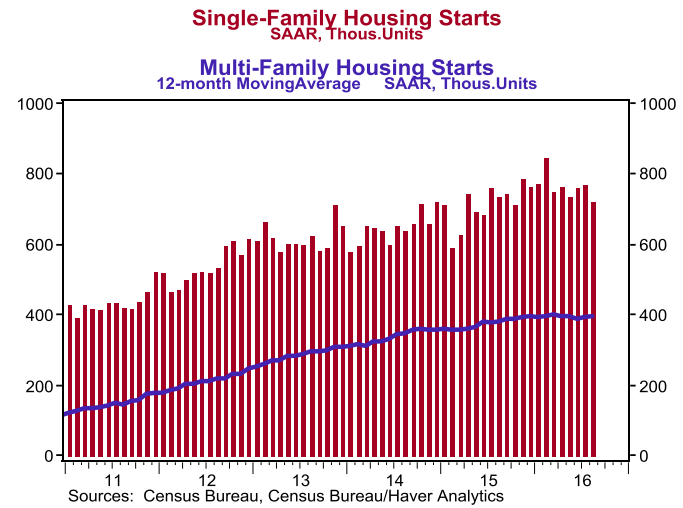


# August Housing Starts

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- Housing starts declined 5.8% in August to a 1.142 million annual rate, coming in below the consensus expected 1.190 million. Starts are up 0.9% versus a year ago.
- The drop in starts in August was due to declines in both single-family and multi-family units. In the past year, single-family starts are down 1.2% while multi-family starts are up 4.7%.
- Starts in August declined in the South, but rose in the Northeast, Midwest, and West.
- New building permits declined 0.4% in August to a 1.139 million annual rate, falling short of the consensus expected 1.165 million. Compared to a year ago, permits for single-family units are up 3.8% while permits for multi-family homes are down 11.8%.

**Implications:** Home building fell by more than expected in August as a large drop in construction in the South more than offset gains around the rest of the country. Housing starts declined 5.8% to a 1.142 million annual rate in August, after robust months in June and July. This is nothing new, home building often moves in a seesaw pattern. To get rid of the monthly volatility and reveal underlying trends, we look at the 12-month moving average, which is now the highest since 2008. The reason for the decline in starts in August was a 14.8% drop in the South, which will be short-lived for a couple of reasons. First, the lower 48 states had more rain this August than any August since 1977, with much concentrated in the Southern states like Louisiana. Second, permits for future single-family construction in the South rose 3.6% to a 404,000 annual pace in August, the strongest since 2007. The general rise in home building that started in 2011 is far from over. 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 obviously 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, boomed to 65 in September from 59 in August. The September reading of 65 matches the highest level for the index so far in the economic recovery. More jobs and faster wage growth are making it easier to buy a home and builders will respond in the months and quarters to come.



Housing Starts SAAR, thousands	Monthly % Ch.	Aug-16 Level	Jul-16 Level	Jun-16 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
<b>Housing Starts</b>	<b>-5.8%</b>	1142	1212	1195	1183	1158	0.9%
<b>Northeast</b>	<b>7.6%</b>	141	131	113	128	123	24.8%
<b>Midwest</b>	<b>5.6%</b>	171	162	190	174	179	17.1%
<b>South</b>	<b>-14.8%</b>	543	637	589	590	582	-13.1%
<b>West</b>	<b>1.8%</b>	287	282	303	291	273	15.7%
<b>Single-Unit Starts</b>	<b>-6.0%</b>	722	768	763	751	751	-1.2%
<b>Multi-Unit Starts</b>	<b>-5.4%</b>	420	444	432	432	407	4.7%
<b>Building Permits</b>	<b>-0.4%</b>	1139	1144	1153	1145	1130	-2.3%
<b>Single-Unit Permits</b>	<b>3.7%</b>	737	711	738	729	731	3.8%

Source: U.S. Census Bureau