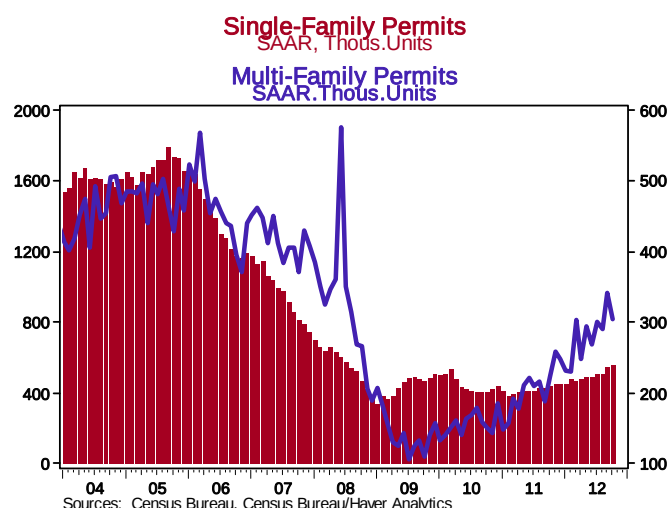
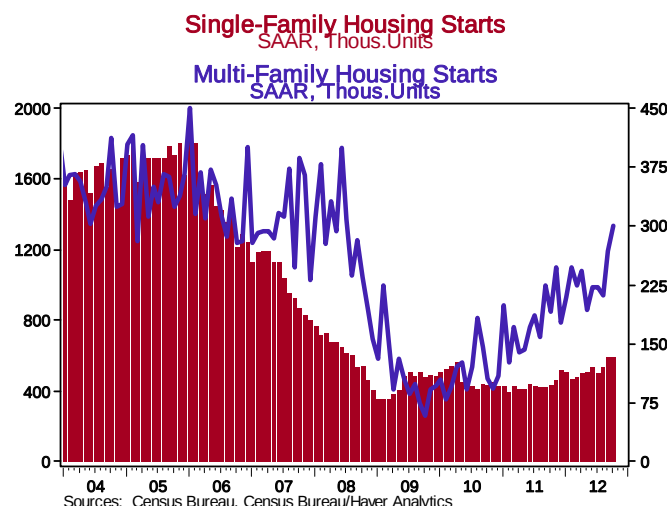


October Housing Starts

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- Housing starts rose 3.6% in October to 894,000 units at an annual rate, easily beating the consensus expected 840,000 pace. Starts are up 41.9% versus a year ago.
- The rise in starts in October was due to an 11.9% gain in multi-family starts. Single-family starts declined 0.2% but are up 35.3% from a year ago, while multi-family starts are up 57.1%.
- Starts rose in the Midwest and West, but declined in the Northeast and South.
- New building permits fell 2.7% in October to an 866,000 annual rate, slightly beating the consensus expected pace of 864,000. Compared to a year ago, permits for single-unit homes are up 26.6% while permits for multi-family units are up 36.3%.

Implications: Housing starts increased to an 894,000 annual pace in October, crushing consensus expectations and beating the prediction of every single economic forecaster. The consensus expected drop had much to do with Hurricane Sandy affecting the Northeast. Looking at the data, the storm did drive down activity in the area, but the West and Midwest had strong gains in building activity, easily offsetting the loss in the Northeast. Housing starts are up 41.9% from a year ago and builders are now starting homes at the fastest pace since July 2008. All of the gain this month was due to the volatile multi-family sector. Even so, the charts to the right show, both single-family and multi-family starts and permits are trending higher. The total number of homes under construction (started, but not yet finished) are up 22% from a year ago and increased for the 14th straight month, the first time this has happened since back in 1997-98. Based on population growth and “scrappage,” housing starts will eventually rise to about 1.5 million units per year (probably by 2015), which means the recovery in home building is still young. That may seem like a big leap over the next few years, but a gain of 20% per year for the next three years gets us up to that level. And that pace of increase is half as large as the gains over the past twelve months. Don’t expect a straight line recovery, there will be zigs and zags along the way, but the overall trend will continue higher.



Housing Starts SAAR, thousands	Monthly % Ch.	Oct-12 Level	Sep-12 Level	Aug-12 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	3.6%	894	863	750	836	783	41.9%
Northeast	-6.5%	72	77	74	74	77	10.8%
Midwest	8.9%	159	146	130	145	125	44.5%
South	-2.5%	431	442	376	416	388	34.3%
West	17.2%	232	198	170	200	192	73.1%
Single-Unit Starts	-0.2%	594	595	538	576	546	35.3%
Multi-Unit Starts	11.9%	300	268	212	260	236	57.1%
Building Permits	-2.7%	866	890	801	852	819	29.8%
Single-Unit Permits	2.2%	562	550	511	541	519	26.6%

Source: U.S. Census Bureau