

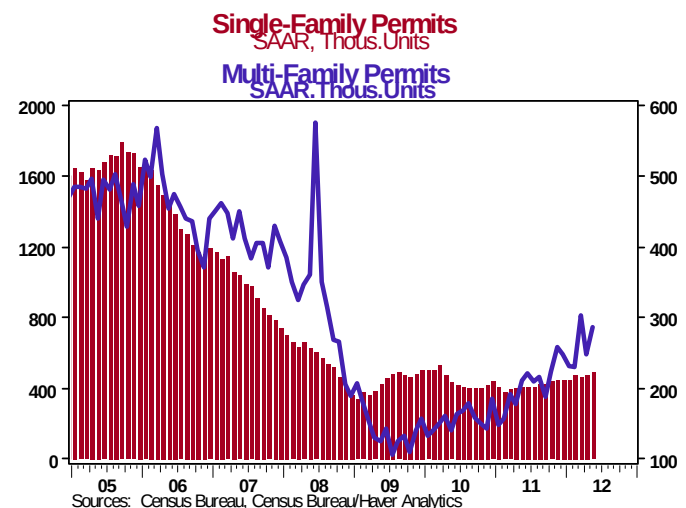
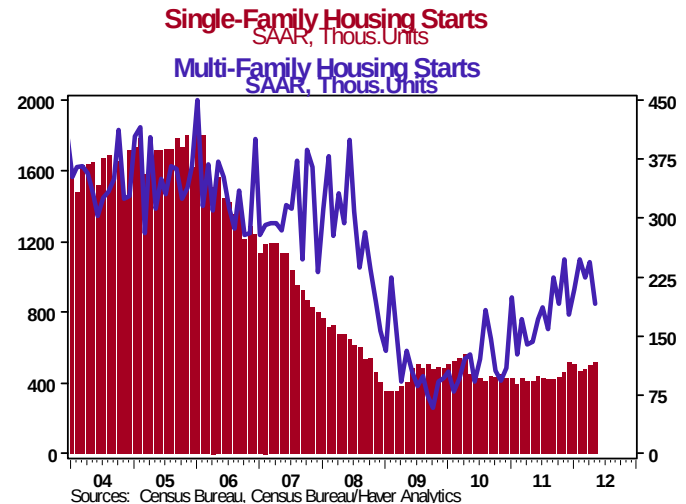
May Housing Starts

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- Housing starts fell 4.8% in May to 708,000 units at an annual rate, below the 722,000 rate the consensus expected. Despite the decline in May, starts are up 28.5% versus a year ago.
- The decline in starts in May was all due to a 21.3% drop in multi-family units. Single-family units rose 3.2%. Single-family starts are up 26.2% from a year ago, while multi-family starts are up 35.2%.
- Starts declined in the Northeast, Midwest and South, but rose in the West.
- New building permits rose 7.9% in May to a 780,000 annual rate, coming in well above the consensus expected pace of 730,000. Compared to a year ago, permits for single-unit homes are up 19.9% while permits for multi-family units are up 34.9%.

Implications: The recovery in home building is clearly underway. Although housing starts fell 4.8% in May, all the decline was due to multi-family starts, which are very volatile from month to month, but still up substantially from a year ago (see chart to right). Single-family starts increased 3.2 percent in May and are up 26.2 percent from a year ago. In addition, the apparent decline in May was in part due to last month's starts getting revised up to a 744,000 annual rate, the best number since October 2008. Looking deeper into the report, the total number of homes under construction (started, but not yet finished) increased for the ninth straight month, the first time this has happened since 2003-2004. Permits to build homes boomed in May, coming in at a 780,000 annual rate, the highest since September 2008. Permits are now up 25% from a year ago. Single-family permits rose 4% in May and are at the highest levels since early 2010, signaling continued gains in home building in the coming year. It looks like the second quarter of

2012 will be the fifth straight quarter where home building boosts real GDP. Based on population growth and "scrappage," housing starts should eventually rise to about 1.5 million units per year (probably by 2016), which means the recovery in home building is still very young. For more on the housing market, please see our research report ([link](#)). In other recent housing news, the NAHB index, a measure of homebuilder confidence, increased to 29 in June, the highest level in five years.



Housing Starts SAAR, thousands	Monthly % Ch.	May-12 Level	Apr-12 Level	Mar-12 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-4.8%	708	744	706	719	716	28.5%
Northeast	-20.3%	63	79	87	76	72	10.5%
Midwest	-13.3%	111	128	116	118	123	11.0%
South	-6.1%	367	391	354	371	377	39.5%
West	14.4%	167	146	149	154	144	27.5%
Single-Unit Starts	3.2%	516	500	481	499	500	26.2%
Multi-Unit Starts	-21.3%	192	244	225	220	216	35.2%
Building Permits	7.9%	780	723	769	757	727	25.0%
Single-Unit Permits	4.0%	494	475	466	478	470	19.9%

Source: U.S. Census Bureau