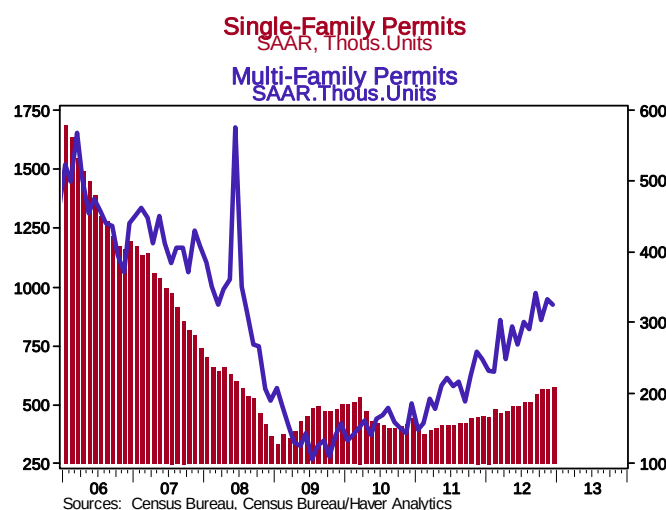
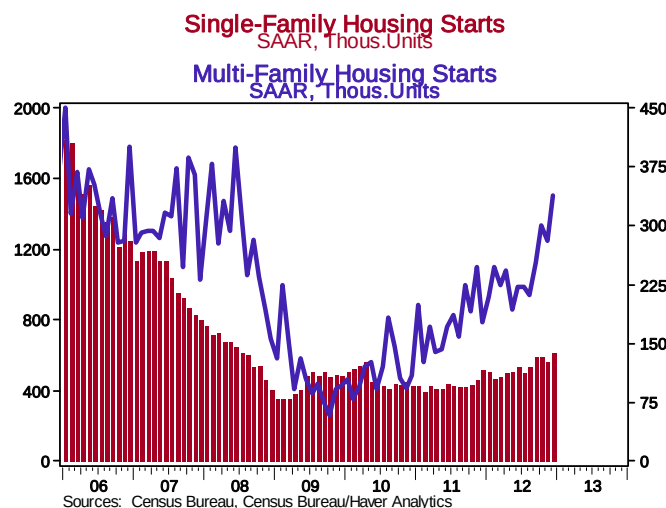


December Housing Starts

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- Housing starts soared 12.1% in December to 954,000 units at an annual rate, coming in well above the consensus expected 890,000 pace. Starts are up 36.9% versus a year ago.
- The rise in starts in December was due to gains in both single-family (+8.1%) and multi-family starts (+20.3%). Single-family starts are up 18.5% from a year ago, while multi-family starts are up 91.0%.
- Starts were up in all major regions of the country, led by the Midwest.
- New building permits rose 0.3% in December to a 903,000 annual rate, almost exactly what the consensus expected. Compared to a year ago, permits for single-unit homes are up 27.3% while permits for multi-family units are up 31.6%.

Implications: Blowout strong numbers on home building and the job market today. Housing starts boomed in December rising 12.1% to a 954,000 annual pace, with robust gains in both single- and multi-family starts. Starts are now the highest since June 2008 and are up 36.9% from a year ago. The total number of homes under construction (started, but not yet finished) are up 26% from a year ago. Some of the building boom in December is probably due to unusually mild weather. The average temperature in the contiguous 48 states tied the highest level for any December since the 1950s. However, building permits also rose 0.3% in December to a 903,000 annual rate, the highest level since July 2008 and up 28.8% from a year ago. 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 still has much further to go. Don’t expect a straight line recovery, there will be zigs and zags along the way, but the overall trend will continue higher. In other news today, initial claims for unemployment insurance fell 37,000 last week to 335,000, the lowest level in five years. The four-week moving average is 359,000. Continuing claims for regular state benefits rose 87,000 to 3.21 million. Combined with other data, we’re penciling in a trend-like payroll gain of 160,000 for January. The one piece of bad economic news was the Philadelphia Fed index, a measure of manufacturing sentiment, falling to -5.8 in January from +4.6 in December. This reinforces the soft reading from the Empire State index earlier this week. However, regional manufacturing surveys measure sentiment, not actual activity, and so may be influenced by negative news reports about the debt limit debate in Washington, DC.



Housing Starts SAAR, thousands	Monthly % Ch.	Dec-12 Level	Nov-12 Level	Oct-12 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	12.1%	954	851	889	898	836	36.9%
Northeast	21.4%	85	70	78	78	78	37.1%
Midwest	24.7%	197	158	156	170	150	10.7%
South	3.8%	469	452	438	453	417	43.0%
West	18.7%	203	171	217	197	191	57.4%
Single-Unit Starts	8.1%	616	570	589	592	568	18.5%
Multi-Unit Starts	20.3%	338	281	300	306	268	91.0%
Building Permits	0.3%	903	900	868	890	862	28.8%
Single-Unit Permits	1.8%	578	568	566	571	547	27.3%

Source: U.S. Census Bureau