First Trust Data Watch

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JUNE HOUSING STARTS

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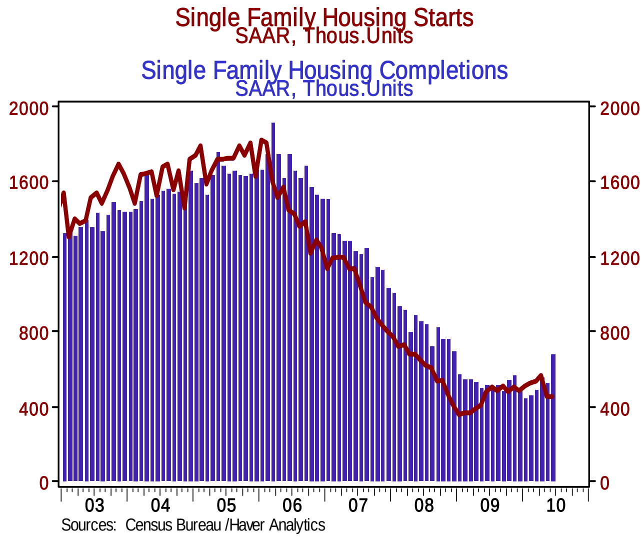
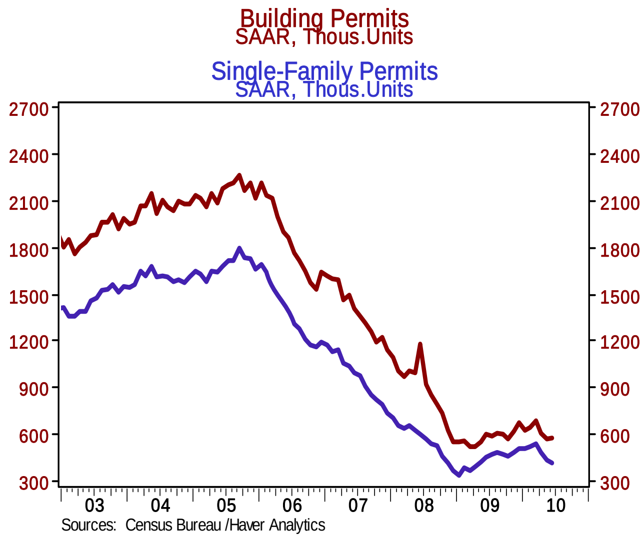
- Housing starts declined 5.0% in June to 549,000 units at an annual rate, below the consensus expected 580,000 pace. Despite the decline, starts are still up 15.1% versus the cycle low in April 2009.
- Almost all the decline in June was due to multi-family starts, which are very volatile from month to month. Single-family starts declined only 0.7% in June. Compared to a short-term surge in June 2009, single family starts are down 4.6% versus a year ago while multi-family starts are down 11.2%.
- Starts declined in every major region of the country.
- New building permits increased 2.1% in June to a 586,000 annual rate, beating the consensus expected pace of 575.000. Permits are down 2.3% versus a year ago with permits for single-family units down 6.7%.

Implications: Housing starts fell again in June, the second straight monthly decline after a surge in starts in the first four months of the year. Meanwhile, housing *completions* soared in June, jumping 26.2%, the largest monthly gain on record (going back to the late 1960s). Apparently, home builders have been shifting their resources away from "breaking ground" and toward finishing the homes they already had under construction. This is consistent with the artificial deadline created by the new homebuyer credit, where buyers have to settle on their homes by the end of June. (Typically, new homes are not brought to settlement until the house is substantially completed.) As a result, with the June deadline now behind us, we anticipate that housing starts will begin to grow again in July. Even at the slow rate of new home sales we are now experiencing, the pace of housing starts is so slow that new home inventories will continue to decline, helping clear the way for a housing recovery.





Housing Starts SAAR, thousands	Monthly % Ch.	Jun-10 Level	May-10 Level	Apr-10 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	**-5.0%**	549	578	679	602	610	-5.8%
Northeast	**-11.3%**	63	71	84	73	71	-20.3%
Midwest	**-6.9%**	94	101	118	104	100	-10.5%
South	**-2.4%**	281	288	367	312	314	2.6%
West	**-5.9%**	111	118	110	113	124	-11.2%
Single-Unit Starts	**-0.7%**	454	457	563	491	508	-4.6%
Multi-Unit Starts	**-21.5%**	95	121	116	111	102	-11.2%
Building Permits	**2.1%**	586	574	610	590	622	-2.3%
Single-Unit Permits	**-3.4%**	421	436	486	448	486	-6.7%

Source: U.S. Census Bureau