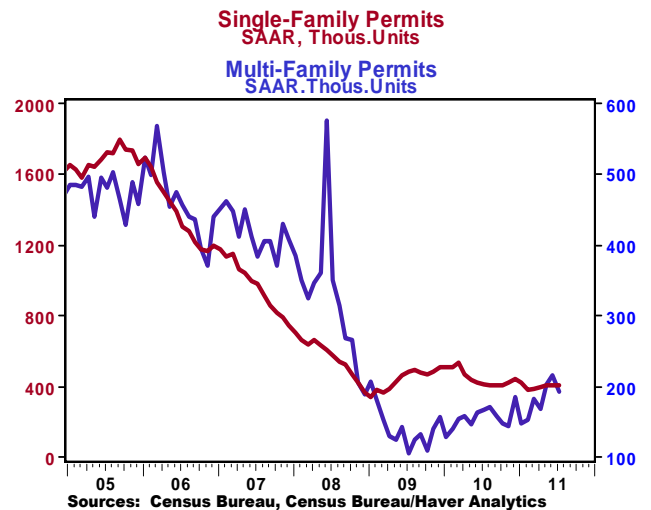
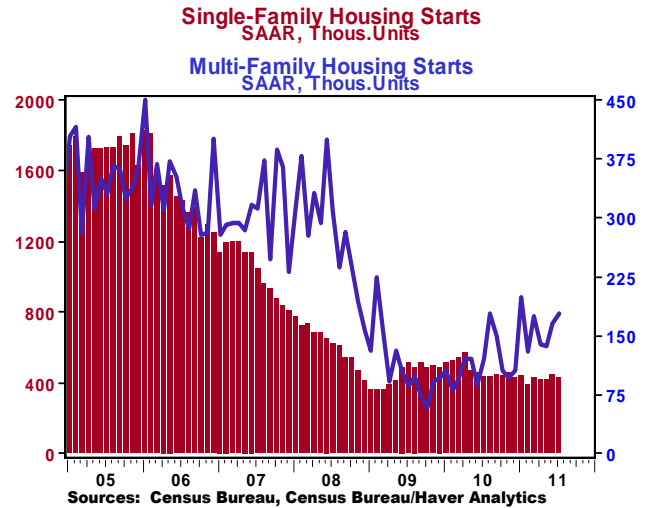


Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Senior Economist
Strider Elass – Economic Analyst
Andrew Hull – Economic Analyst

July Housing Starts

- Housing starts fell 1.5% in July to 604,000 units at an annual rate, slightly beating the consensus expected pace of 600,000. Starts are up 9.8% versus a year ago.
- The decline in July was due to single-family starts, which fell 4.9%. Multi-family starts (which are extremely volatile from month to month) rose 7.8% in July. Multi-family starts are up 47.9% from a year ago while single-family starts are down 0.9%.
- Starts fell in the Midwest and West, but rose in the Northeast and South.
- New building permits fell 3.2% in July to a 597,000 annual rate, below the consensus expected pace of 605,000. Compared to a year ago, permits for multi-unit homes are up 16.3% while permits for single-family units are down 1.2%.

Implications: Housing starts came in at a 604,000 annual pace in July, slightly beating consensus expectations. While this was lower than last month, the level of starts remains far above levels we saw earlier this year, supporting our view from a few months ago that the dip in home building in the Spring was due to the unusually harsh tornado season. The decline in July was due to single-family starts, which fell 4.9%. In the volatile multi-family sector (which has been trending higher since late 2009), starts rose 7.8%. After rising last month, the total number of homes under construction fell again – to the lowest level on record (since at least 1970). This decline was largely due to the fact that building completions rose 11.8%, to the highest level in over a year. We should see a shift again next month to fewer completions and rising starts as the housing market slowly recovers. Based on population growth and “scrappage” rates, home building must increase substantially to avoid shortages in some regions of the country and with the ongoing shift toward renting rather than owning, growth in multi-family construction should continue to outpace the growth in single-family units. In other news this morning, import prices rose 0.3% in July. Overall import prices are up 14% in the past year and up 5.5% excluding oil. Export prices declined 0.4% in July but are up 9.8% in the past year. Ex-agriculture, export prices rose 0.2% in July and are up 8.3% in the past year, the largest increase on record (dating back to the mid-1980s).



Housing Starts SAAR, thousands	Monthly % Ch.	Jul-11 Level	Jun-11 Level	May-11 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-1.5%	604	613	553	590	572	9.8%
Northeast	34.7%	97	72	56	75	67	27.6%
Midwest	-37.7%	76	122	99	99	90	-17.4%
South	5.6%	303	287	264	285	296	10.2%
West	-3.0%	128	132	134	131	120	19.6%
Single-Unit Starts	-4.9%	425	447	416	429	418	-0.9%
Multi-Unit Starts	7.8%	179	166	137	161	154	47.9%
Building Permits	-3.2%	597	617	609	608	582	3.8%
Single-Unit Permits	0.5%	404	402	406	404	397	-1.2%

Source: U.S. Census Bureau