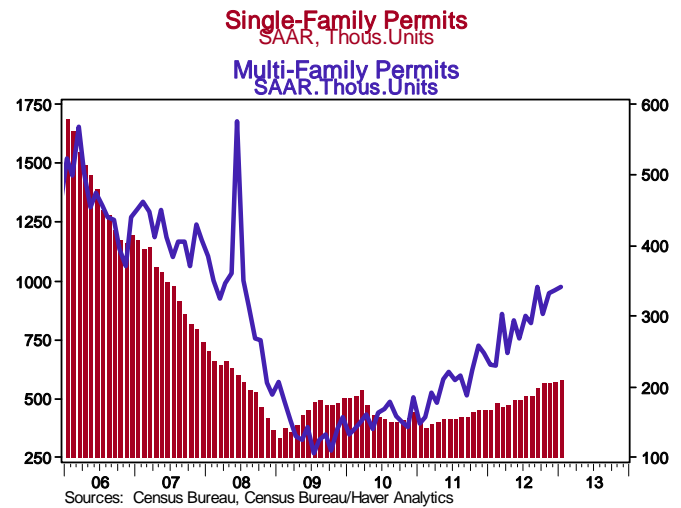
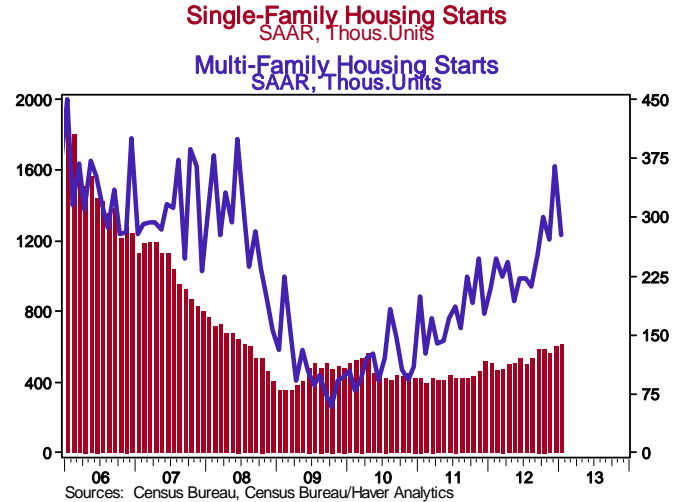


# January Housing Starts

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

- Housing starts fell 8.5% in January to 890,000 units at an annual rate, coming in below the consensus expected 920,000 pace. Starts are up 23.6% versus a year ago.
- The decline in starts in January was all due to multi-family, which fell 24.1%. Single-family starts increased 0.8%. Multi-family starts are up 32.5% from a year ago while single-family starts are up 20.0%.
- Starts were down in the Northeast and Midwest, but up in the South and West.
- New building permits rose 1.8% in January to a 925,000 annual rate, slightly above consensus expectations. Compared to a year ago, permits for single-unit homes are up 29.2% while permits for multi-family units are up 47.0%.

**Implications:** Take the headline drop in housing starts with a huge grain of salt. Although housing starts fell 8.5% in January, that only partially offsets the 15.7% spike upward in December. As we noted last month, December’s weather was unusually mild, with the average temperature in the contiguous 48 states tying the highest for any December since the 1950s. As a result, a drop in January was expected. The decline in January was even steeper than the consensus (or we) expected, but all of it was due to the very volatile multi-family sector. Single-family starts hit the highest since 2008. Also, were it not for that tremendous surge in December, the level of starts in January would have been the highest since 2008, even including the drop in multi-family. In other words, the underlying trend remains strong. Single-family starts are up 20% from a year ago, while multi-family starts are up 32.5%. The total number of homes under construction (started, but not yet finished) were up 1.5% in January and are up 26% from a year ago. Building permits increased 1.8% in January and are up 35% from a year ago, signaling continued growth in home building in 2013. 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. In other recent housing news, the NAHB index, which measures confidence among home builders, slipped to 46 in February of 47 in January. The decline was due to less foot traffic among prospective homebuyers. Don’t get worked up about this dip, which follows nine consecutive increases. The bottom line is that housing – construction, prices, and sales – is well into recovery and will continue along this path for the next few years. That path will not be perfectly straight, there will be zigs and zags along the way. Just don’t let those temporary deviations distract from the trend.



Housing Starts SAAR, thousands	Monthly % Ch.	Jan-13 Level	Dec-12 Level	Nov-12 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
<b>Housing Starts</b>	<b>-8.5%</b>	890	973	841	901	864	23.6%
<b>Northeast</b>	<b>-35.3%</b>	75	116	68	86	81	1.4%
<b>Midwest</b>	<b>-50.0%</b>	95	190	154	146	145	-10.4%
<b>South</b>	<b>4.1%</b>	483	464	451	466	438	19.9%
<b>West</b>	<b>16.7%</b>	237	203	168	203	199	73.0%
<b>Single-Unit Starts</b>	<b>0.8%</b>	613	608	570	597	585	20.0%
<b>Multi-Unit Starts</b>	<b>-24.1%</b>	277	365	271	304	280	32.5%
<b>Building Permits</b>	<b>1.8%</b>	925	909	900	911	882	35.2%
<b>Single-Unit Permits</b>	<b>1.9%</b>	584	573	568	575	559	29.2%

Source: U.S. Census Bureau