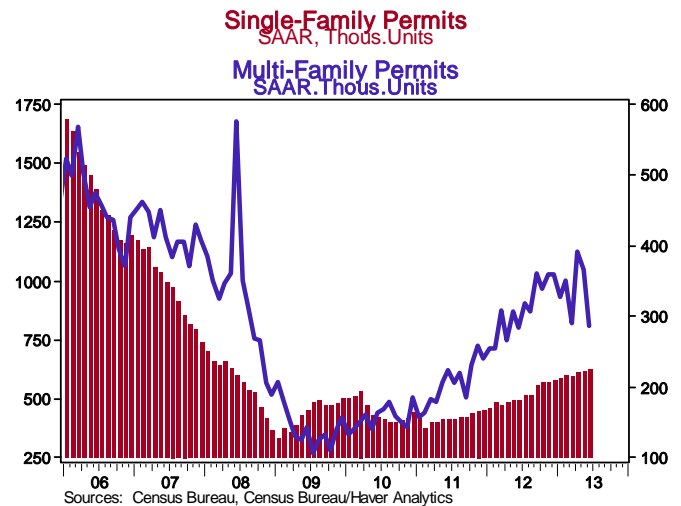
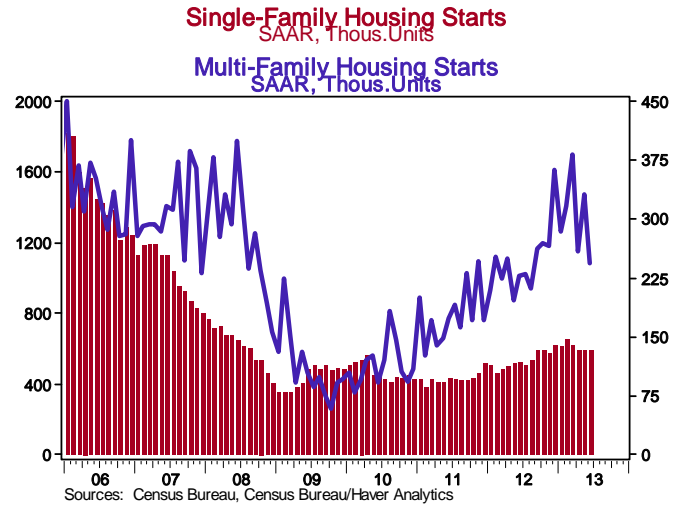


June Housing Starts

Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Ellass – Economist

- Housing starts declined 9.9% in June to 836,000 units at an annual rate, coming in well below the consensus expected 960,000 pace. Starts are still up 10.4% versus a year ago.
- The decline in starts in June was mostly due to multi-family units, which fell 26.2%. Single-family starts declined 0.8%. Single-family starts are up 11.5% from a year ago while multi-family starts are up 7.9%.
- Starts in June were down in all major areas of the country.
- New building permits declined 7.5% in June to a 911,000 annual rate, coming in well short of the consensus expected 1 million pace. Compared to a year ago, permits for single-unit homes are up 24.6% while permits for multi-family units are up 1.1%.

Implications: Like farmers, homebuilders care about the weather. And, it's all about timing. June was wet, wet, wet. In fact, 18 states in the South and East had rain totals in June that ranked among their 10 wettest on record. When it's wet it's hard to move dirt and get foundations in the ground. That's why home starts fell 9.9% in June, dropping to the lowest level since August 2012. The vast majority of the decline (95%) was due to the very volatile multi-family sector. But single-family starts fell 0.8% as rain held them back. Nonetheless, single-family starts are still up 11.5% from a year ago. Once started, rain matters less, and despite the decline in starts, the total number of homes under construction have increased for 22 consecutive months. We expect this trend to continue, with housing starts rebounding sharply in July. Housing permits declined 7.5% in June, but this was all due to multi-family permits. So like housing starts, we also expect a sharp rebound in permits in July. Single-family permits were up 0.6% in June and up 16.1% in the past year. Based on population growth and "scrappage," housing starts will eventually rise to about 1.5 million units per year (probably by 2015). The bottom line is that no one should get worked up over every zig and zag in the data, especially when weather changes. Sometimes an indicator will surge up above the underlying growth trend or fall sharply with these moves reversed the following months.



Housing Starts SAAR, thousands	Monthly % Ch.	Jun-13 Level	May-13 Level	Apr-13 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-9.9%	836	928	852	872	915	10.4%
Northeast	-12.1%	94	107	79	93	95	20.5%
Midwest	-7.4%	126	136	154	139	131	29.9%
South	-12.0%	424	482	412	439	477	14.9%
West	-5.4%	192	203	207	201	213	-9.9%
Single-Unit Starts	-0.8%	591	596	593	593	612	11.5%
Multi-Unit Starts	-26.2%	245	332	259	279	303	7.9%
Building Permits	-7.5%	911	985	1005	967	943	16.1%
Single-Unit Permits	0.6%	624	620	614	619	608	24.6%

Source: U.S. Census Bureau