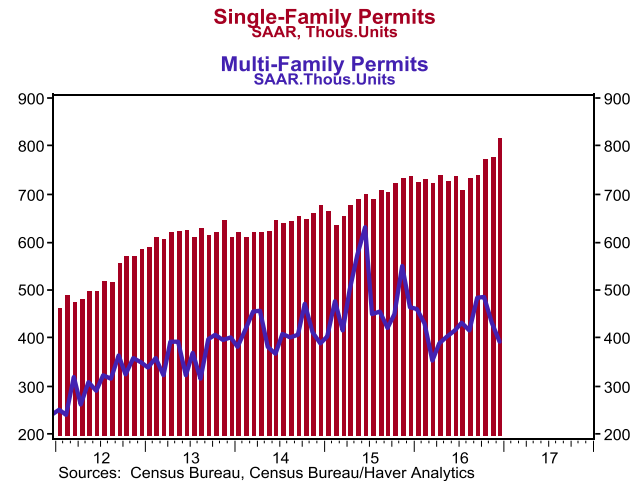
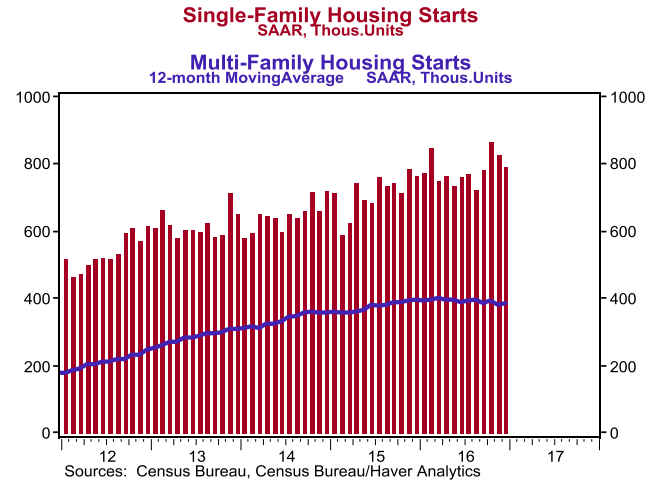


# December Housing Starts

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- Housing starts increased 11.3% in December to a 1.226 million annual rate, beating the consensus expected 1.188 million. Starts are up 5.7% versus a year ago.
- The increase in starts in December was entirely due to multi-family units. Single-family starts declined in December. In the past year, single-family starts are up 3.9% while multi-family starts are up 9.1%.
- Starts in December increased in the Midwest, West, and Northeast, but fell in the South.
- New building permits declined 0.2% in December to a 1.210 million annual rate, falling just short of the consensus expected 1.225 million. Compared to a year ago, permits for single-family units are up 10.7% while permits for multi-family homes are down 15.1%.



**Implications:** After plummeting in November, housing starts rebounded sharply in December, increasing 11.3% to a 1.226 million annual rate. Construction in the multi-family sector, which is normally very volatile continued its recent hyper-volatility, surging 57.3% in December after dropping 39.4% in November. Meanwhile, single-family starts declined 4% in December, but we wouldn't worry about that. Single-family starts are still up 3.9% from a year ago and permits to build single-family homes are up 10.7% from a year ago, hitting the highest level since 2007. The trend in home construction will continue to be up. Based on population growth and "scrappage," housing starts should eventually rise to about 1.5 million units per year, so much of the recovery in home building is still ahead of us. In addition, despite December data, the "mix" of construction has been generally shifting toward single-family building. When the housing recovery started, multi-family construction led the way. But the *share* of all housing starts that are multi-family appears to have peaked in 2015, when 35.7% of all starts were multi-family, the largest since the mid-1980s, when the last wave of Baby Boomers was growing up and moving to cities. In 2016, the multi-family share of starts fell to 32.9%. The shift in the mix of homes toward single-family is a positive sign because, on average, each single-family home contributes to GDP about twice the amount of a multi-family unit. In other recent housing news, the NAHB index, which measures sentiment among home builders, dropped slightly to a still-high 67 in January, after posting its highest reading in 11 years in December. More jobs, faster wage growth, and, for at least the time being, optimism about more market-friendly policies from a Trump Administration, are encouraging both prospective home buyers and builders. In other news this morning, initial unemployment claims fell 15,000 last week to 234,000. Continuing claims dropped 47,000 to 2.046 million. These figures suggest solid job growth in January. Also today, the Philly Fed index, a measure of sentiment among East Coast manufacturers, rose to +23.6 in January from +19.7 in December, signaling optimism in the factory sector.

Housing Starts SAAR, thousands	Monthly % Ch.	Dec-16 Level	Nov-16 Level	Oct-16 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
<b>Housing Starts</b>	<b>11.3%</b>	1226	1102	1320	1216	1180	5.7%
<b>Northeast</b>	<b>18.5%</b>	96	81	161	113	117	-38.5%
<b>Midwest</b>	<b>31.2%</b>	227	173	197	199	179	38.4%
<b>South</b>	<b>-1.4%</b>	572	580	619	590	584	-3.2%
<b>West</b>	<b>23.5%</b>	331	268	343	314	302	32.9%
<b>Single-Unit Starts</b>	<b>-4.0%</b>	795	828	868	830	794	3.9%
<b>Multi-Unit Starts</b>	<b>57.3%</b>	431	274	452	386	386	9.1%
<b>Building Permits</b>	<b>-0.2%</b>	1210	1212	1260	1227	1201	0.7%
<b>Single-Unit Permits</b>	<b>4.7%</b>	817	780	774	790	760	10.7%

Source: U.S. Census Bureau