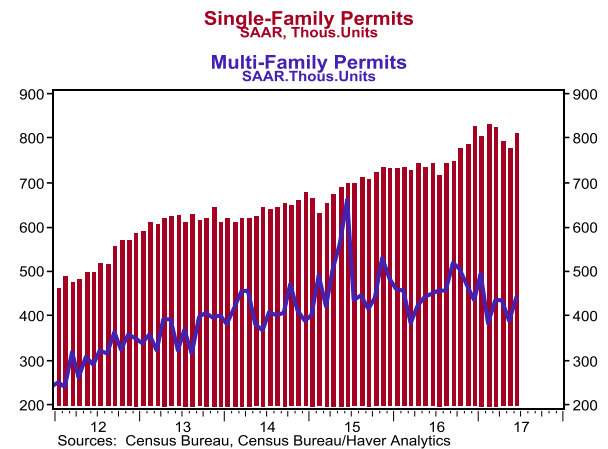
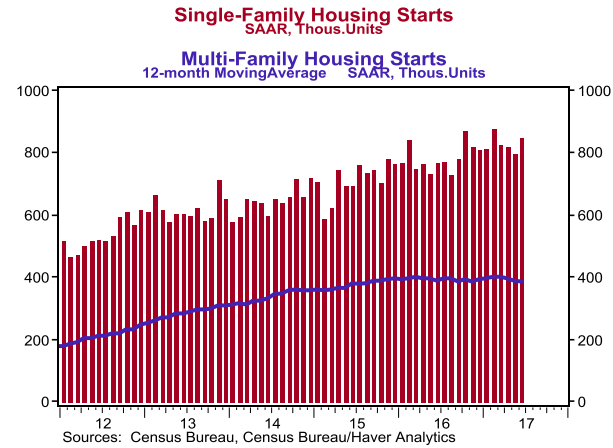


June Housing Starts

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

- Housing starts increased 8.3% in June to a 1.215 million annual rate, beating the consensus expected 1.160 million. Starts are up 2.1% versus a year ago.
- The gain in starts in June was due to an increase in both single-family and multi-unit starts. In the past year, single-family starts are up 10.3% while multi-unit starts are down 12.9%.
- Starts in June rose in the Northeast, Midwest and West, but fell in the South.
- New building permits rose 7.4% in June to a 1.254 million annual rate, above the consensus expected 1.201 million. Compared to a year ago, permits for single-family units are up 9.2% while permits for multi-family homes are down 1.6%.

Implications: After falling for three consecutive months, housing starts rebounded strongly in June, beating the consensus to post their largest monthly gain of the year. Even though both single-family and multi-unit starts were responsible for the gain in June’s headline number, in the past year single-family starts are up 10.3% while multi-unit starts are down 12.9%. The “mix” of construction has been generally shifting toward single-family building and this is a good sign for the overall economy. 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 June, the multi-family share of starts was 30.1%. The shift toward single-family is a positive sign for the economy because, on average, each single-family home contributes to GDP about twice the amount of a multi-family unit. Based on population growth and “scrappage,” housing starts should eventually rise to about 1.5 million units per year. In other words, much of the recovery in home building is still ahead of us. Another bright spot in today’s report was that housing completions rose 5.2% in June and are now up 8.1% in the past year. Further, building permits for new structures posted their biggest one month jump since 2015 in June. Expect housing starts to continue to gain steam in the months ahead as more unfinished projects are completed and builders move onto new ones. In other recent housing news, the NAHB index, which measures sentiment among home builders fell to a still elevated 64 in July from 67 in June. Expect further strength in the housing sector in the year ahead as more jobs, faster wage growth, and, for at least the time being, optimism about more market-friendly policies from the Trump Administration, continue to encourage both prospective home buyers and builders. On the factory front, the Empire State index, a measure of manufacturing sentiment in New York, fell to a still healthy 9.8 in July from 19.8 in June. Finally, on inflation, import prices fell 0.2% in June but are up 1.5% from a year ago. Export prices also fell 0.2% in June, but have increased 0.6% in the past year. Both figures are a stark contrast to the negative direction of prices in the year ending in June 2016.



Housing Starts SAAR, thousands	Monthly % Ch.	Jun-17 Level	May-17 Level	Apr-17 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	8.3%	1215	1122	1154	1164	1201	2.1%
Northeast	83.7%	158	86	85	110	114	38.6%
Midwest	22.0%	205	168	200	191	183	9.0%
South	-3.8%	533	554	562	550	603	-9.2%
West	1.6%	319	314	307	313	302	6.0%
Single-Unit Starts	6.3%	849	799	823	824	831	10.3%
Multi-Unit Starts	13.3%	366	323	331	340	370	-12.9%
Building Permits	7.4%	1254	1168	1228	1217	1238	5.1%
Single-Unit Permits	4.1%	811	779	794	795	808	9.2%

Source: U.S. Census Bureau

This report was prepared by First Trust Advisors L. P., and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.

The information presented is not intended to constitute an investment recommendation for, or advice to, any specific person. By providing this information, First Trust is not undertaking to give advice in any fiduciary capacity within the meaning of ERISA and the Internal Revenue Code. First Trust has no knowledge of and has not been provided any information regarding any investor. Financial advisors must determine whether particular investments are appropriate for their clients. First Trust believes the financial advisor is a fiduciary, is capable of evaluating investment risks independently and is responsible for exercising independent judgment with respect to its retirement plan clients.