



## Economics Group

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## Housing Starts Jump In September

**Housing starts rose to a 658K-unit pace in September on the heels of an upwardly revised 572K-unit pace in the month of August. The gain was driven primarily by a 51.3 percent increase in multifamily starts.**

### Multifamily Starts Lead the Way

New housing starts jumped 15.0 percent in the month of September, after declining 7.0 percent in August. The volatile multifamily component rose an impressive 51.3 percent. The pace of multifamily home construction rose to 233K units, the fastest pace of building activity since October 2008. The sharp increase in multifamily construction continues to underscore the pickup in demand in the apartment market. The displaced individuals from the foreclosure process combined with the desire for individuals to maintain mobility in a tough job market have helped to support strong demand in the apartment segment. Single-family home construction also edged upward, rising 1.7 percent to a 425K-unit pace. The improvement comes after single-family construction declines over the past two months.

### Regional Trends Highlight Differing Pace of Recovery

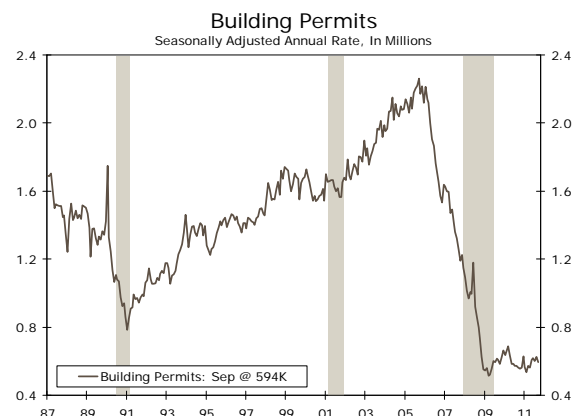
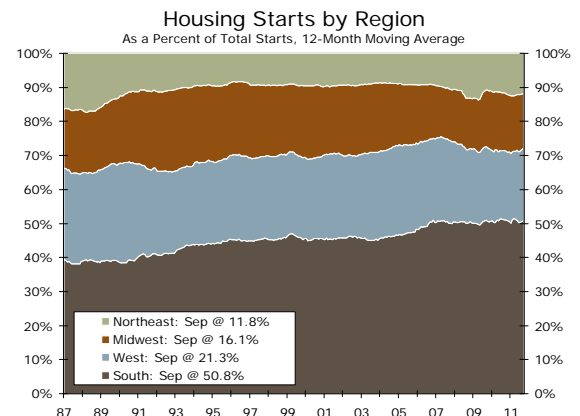
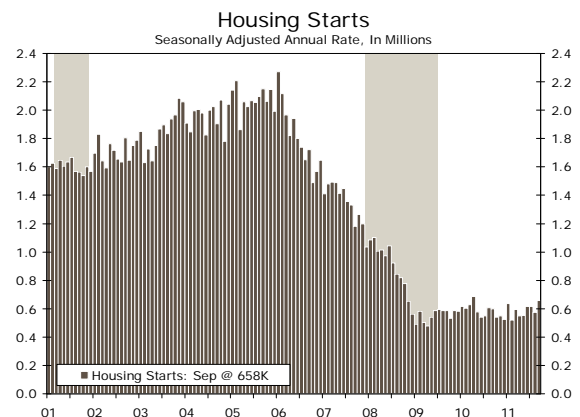
On a regional basis, the housing starts data highlight the differing pace of the housing market recovery across the country. Single-family construction activity remains depressed around the country. However, several regions did post sizable gains in multifamily construction activity. The largest jump in building activity occurred in the West, where total activity increased 18.1 percent in September, with the pickup driven by multifamily construction. Building activity in the West continues to improve faster than in other parts across the country, rising 22.6 percent over the past year, as the region comes off of very depressed levels. New construction in the South also posted a 15.7 percent increase, driven entirely by a 69K increase in multifamily starts. While there is a long road ahead for the home construction industry, there are some encouraging signs that regional stability is occurring.

### Housing Permits Signal Some Pullback Ahead

The pace of building activity observed in September is likely not sustainable given the current economic environment. Housing permits, a leading indicator of future building activity, fell 5.0 percent for the month, with most of the pullback in permits occurring in the volatile multifamily component, which declined 14.5 percent. Single-family permits also fell slightly on the month, declining 0.2 percent. The ongoing waves of foreclosures combined with continually falling home prices remain the largest obstacle for sustainable improvement in single-family home building.

### Slow Improvement Ahead

We continue to expect new home construction to gradually improve over the next several months. Given consumer preferences for the rental market, the improvement for the remainder of this year will likely continue to be reflected in multifamily building. Our forecast for next year is for an average of 610K new housing starts, improving to 740K in 2013.



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