



Economics Group

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Housing Starts Rise Solidly In June

Housing starts rose 6.9 percent in June to a 760,000-unit annual pace. Single-family starts rose 4.7 percent, marking their fourth consecutive rise. The multifamily sector saw starts jump 12.8 percent, but permits fell.

Yes, that is the Sound of Hammers you are Hearing

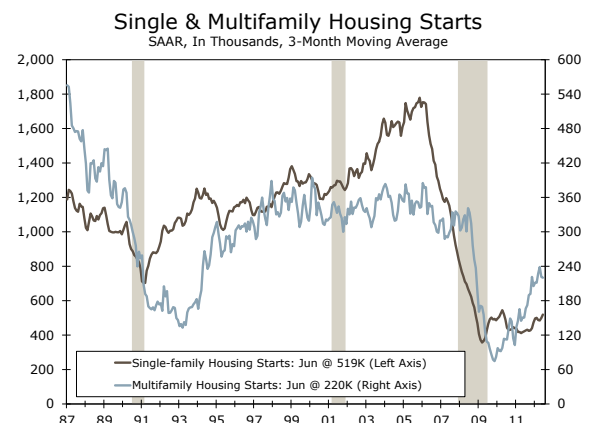
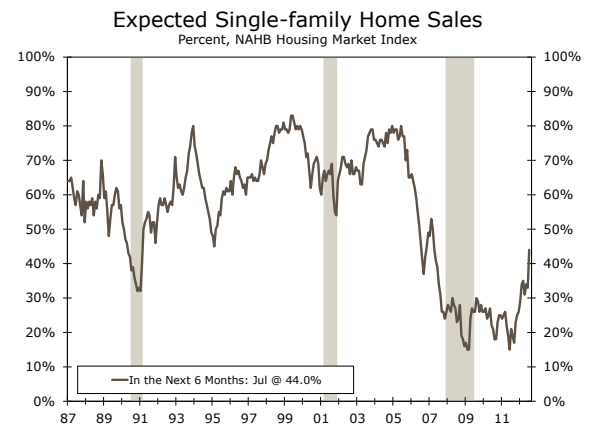
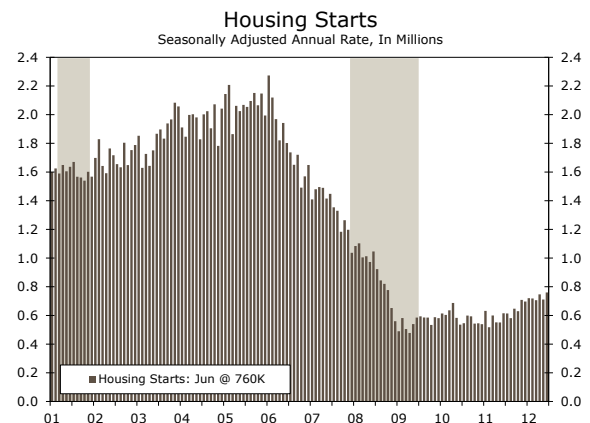
The ever-so-gradual recovery in homebuilding continued to gain momentum in June. Housing starts rose 6.9 percent to a 760,000-unit annual rate, which is the fastest pace since October 2008. Both single-family and multifamily starts increased. The only disappointing aspect of the report was a 3.7 percent slide in building permits. The drop was entirely in multifamily units, which fell 10.9 percent in June, following an 18.5 percent increase the previous month. Multifamily permits have been bouncing around the past several months, but the trend has been solidly upward.

While some folks might be a bit put off by the “forward guidance” in this report given by the slide in permits, most of the leading indicators related to new home construction remain consistent with modest improvement. The NAHB/Wells Fargo housing market index jumped 6 points in July to 35. All of the indexes’ components improved during the month but the largest gain was in the future sales series, which jumped 11 points in July to 44. On a regional basis, the largest improvement was in the West, where the prospective buyers traffic index jumped 12 points in July to 44. All regions improved, however, with buyer traffic rising 8 points in the Northeast, 5 points in the South and 3 points in the Midwest.

With buyer traffic improving, builders are feeling a little more confident about building some inventory. Builders began work on 257,700 single-family homes through the first six months of 2012, which is 44,600 more homes than were started during the first six months of 2011. Just over half of that gain has occurred in the South, where starts are running 20.3 percent above their year-ago pace. The fastest improvement, however, has been in the West, where single-family starts have jumped 23.2 percent. Single-family starts are up 21.1 percent through the first six months of 2012 in the Midwest and up 19.4 percent in the Northeast.

Starts of multifamily units jumped 12.8 percent in June, following a 19.3 percent drop the previous month. Apartments currently account for the overwhelming majority of multifamily starts and construction tends to begin in fits and starts, which makes the series more volatile. The underlying trend remains unambiguously positive, however, with starts through the first six months of 2012 up 42 percent from the same period last year. Apartment vacancy rates have fallen 1.2 percentage points over the past year to 4.7 percent and rents have risen 2.8 percent, which is keeping interest in building new apartments at a very high level.

June’s housing data came in close to expectations. The slide in multifamily permits does little to diminish the budding recovery in single-family construction, which slowly but steadily continues to gain momentum.



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