



Economics Group

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Housing Starts Bounce Back In November

Housing starts jumped 9.3 percent in November, as unseasonably warm weather boosted activity in a normally slow month. Multifamily starts jumped 25.3 percent, while single-family starts rose 2.3 percent.

Is This the Start Of Better Things To Come?

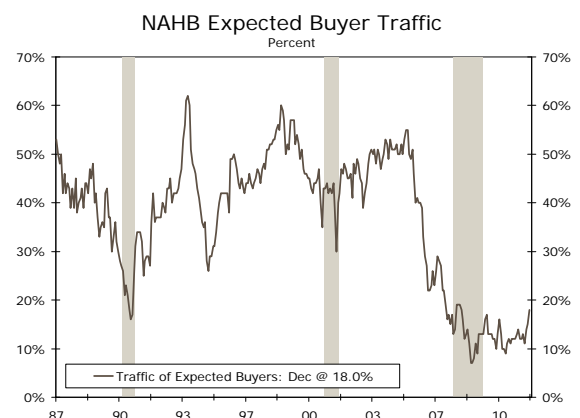
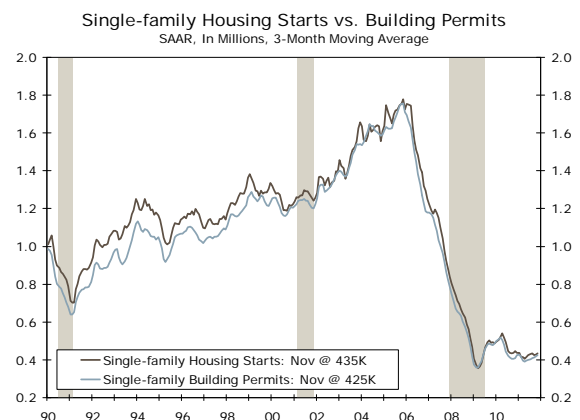
Housing starts rose much more than expected during November, as unseasonably warm weather allowed builders to begin work on more projects than they usually do in November. Building activity normally slows substantially late in the year, as temperatures drop and there are fewer hours of daylight. November, December, January and February collectively have accounted for around one quarter of each year's homebuilding activity during the past 25 years, despite constituting one-third of the year.

Most of November's increase in starts and permits was in multifamily units, which are benefitting from strong demand for apartments. Multifamily starts jumped 25.3 percent during the month. The spike, however, comes off an extremely low base and follows a 15.2 percent drop in October. All the improvement occurred in starts of projects with 5 units or more, which is consistent with anecdotal reports that apartment construction has picked up. On a not seasonally adjusted basis, multifamily starts totaled 19,500 units in November, with all but 600 of those in structures with 5 units or more. By contrast, one year ago, multifamily construction was at less than half this level, with work beginning on just 7,600 units. Through the first 11 months of this year, multifamily starts totaled 165,500, up 52.5 percent over the past year. Permits are up less dramatically, however, totaling 177,100 units, which is 32.6 percent above the year-ago level.

Single-family housing starts rose 2.3 percent in November, following a 3.6 percent rise in October. The gains are less than meet the eye, however. Single-family homebuilding usually winds down this time of year, and since starts were already at such an unusually low level and the weather was unseasonably mild, starts did not fall as much as they usually do. The net result was a seasonally adjusted increase. On a not seasonally adjusted basis, single-family starts totaled 32,300 units in November, which is slightly below their year-ago level. On a year-to-date basis, single-family starts are down 10.2 percent from last year and are on pace for their weakest year on record.

So Where Is Housing Headed In 2012?

Single-family permits rose 1.6 percent in November to a 435,000-unit pace. Through the first 11 months of 2011, single-family permits have totaled 384,400 units, down 22.4 percent. Single-family permits are running below starts, which is not an encouraging sign. We expect homebuilding to improve modestly in 2012, with most of the gains coming from apartment construction. The latest reading from the NAHB/Wells Fargo Housing Market Index shows some modest improvement in December, with expected buyer traffic and expected sales rising to their highest levels of the year. This is consistent with our forecast for modest gains in 2012.



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