

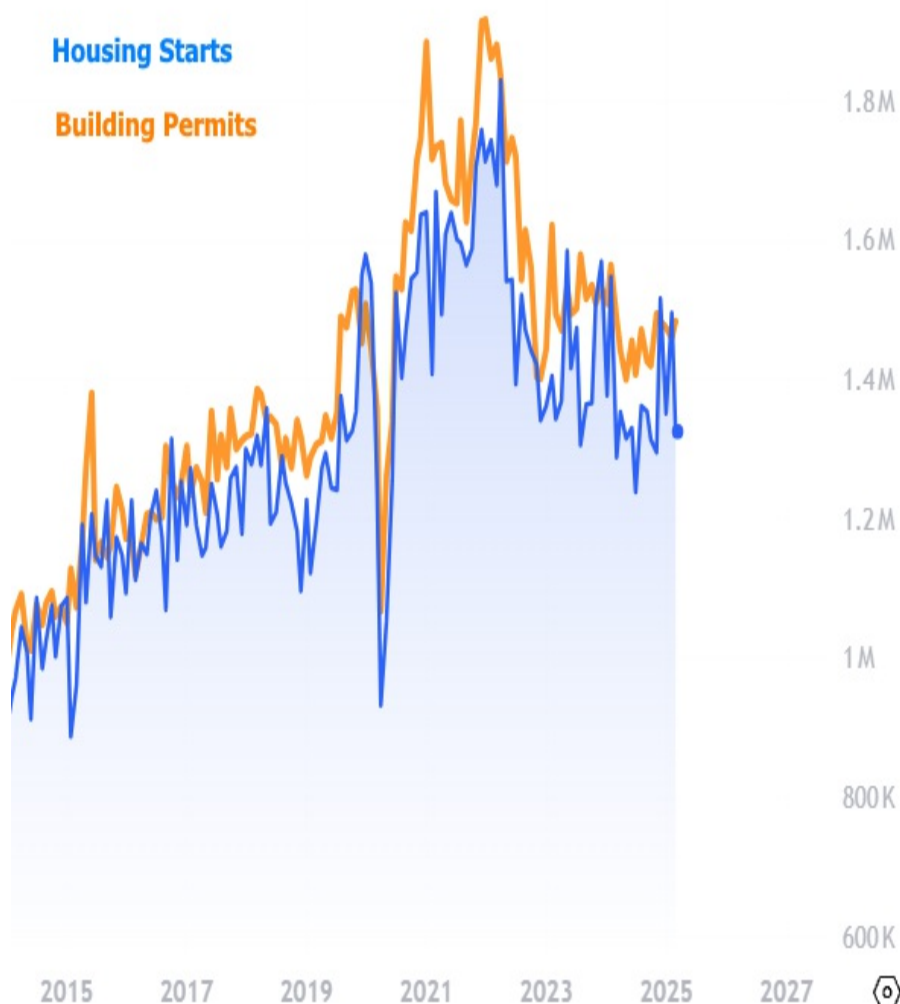


Home Construction Remains Volatile Despite Steady Flow of Building Permits

One would think that the pace of new residential construction largely mirrors the pace of filings for building permits. And while that is generally true in the bigger picture, there can be noticeable discrepancies month to month. This week's data from the Census Bureau is the latest example.

Building permits were slightly higher at 1.482 million units (annual pace) versus 1.459 million previously. Contrast that to housing starts (the term for the ground-breaking phase of home construction) which fell to 1.342 million from 1.494 million previously.

This excess volatility in housing starts can be seen in the following chart with the blue line whipping higher and lower many times over the past few years while the orange line remains relatively more steady.



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There was a heavy regional skew to the housing starts numbers with two regions moving higher and two moving lower as follows:

- Northeast
 - +2k starts (+1.4%)
- Midwest
 - +96k starts (+76.2%)
- South
 - -139k starts (-17.1%)
- West
 - -129k starts (-30.9%)

Note: the count of housing starts account for a different percent change depending on the overall activity level in the region. For example, starts declined more in the South than in the West, but the percent change was much lower because the South had a total level of 524k versus only 289k in the West.

If you're thinking that all of the above sounds pretty boring and/or you're wondering why it even matters, you're right. Home construction data is pretty boring--just a slow, steady grind until something big starts happening.

