



Economics Group

Mark Vitner, Senior Economist
mark.vitner@wellsfargo.com • (704) 383-5635
 Anika R. Khan, Economist
anika.khan@wellsfargo.com • (704) 715-0575

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?

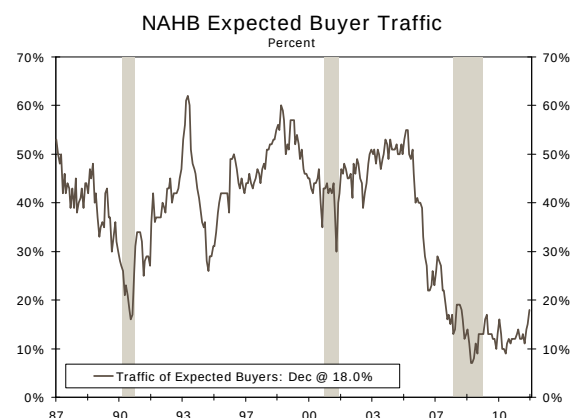
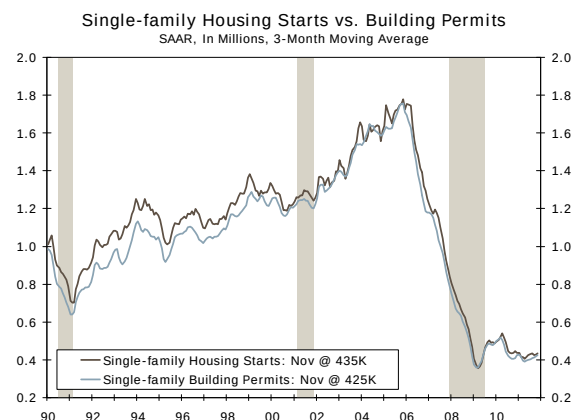
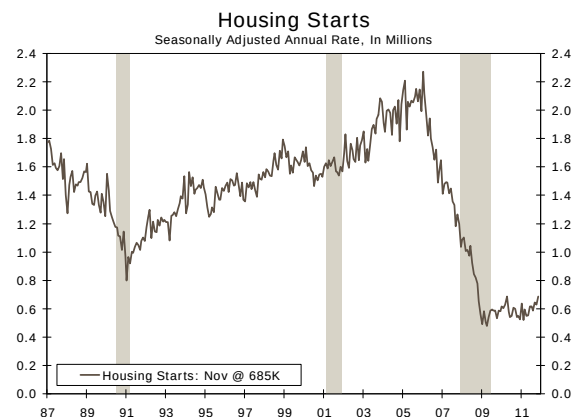
Housing starts rose much more than expected during November, as unseasonably warm weather allowed builders to begin work on more projects than they usually do in November. Building activity normally slows substantially late in the year, as temperatures drop and there are fewer hours of daylight. November, 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.



Wells Fargo Securities, LLC Economics Group

Diane Schumaker-Krieg	Global Head of Research & Economics	(704) 715-8437 (212) 214-5070	diane.schumaker@wellsfargo.com
John E. Silvia, Ph.D.	Chief Economist	(704) 374-7034	john.silvia@wellsfargo.com
Mark Vitner	Senior Economist	(704) 383-5635	mark.vitner@wellsfargo.com
Jay Bryson, Ph.D.	Global Economist	(704) 383-3518	jay.bryson@wellsfargo.com
Scott Anderson, Ph.D.	Senior Economist	(612) 667-9281	scott.a.anderson@wellsfargo.com
Eugenio Aleman, Ph.D.	Senior Economist	(704) 715-0314	eugenio.j.aleman@wellsfargo.com
Sam Bullard	Senior Economist	(704) 383-7372	sam.bullard@wellsfargo.com
Anika Khan	Economist	(704) 715-0575	anika.khan@wellsfargo.com
Azhar Iqbal	Econometrician	(704) 383-6805	azhar.iqbal@wellsfargo.com
Ed Kashmarek	Economist	(612) 667-0479	ed.kashmarek@wellsfargo.com
Tim Quinlan	Economist	(704) 374-4407	tim.quinlan@wellsfargo.com
Michael A. Brown	Economist	(704) 715-0569	michael.a.brown@wellsfargo.com
Joe Seydl	Economic Analyst	(704) 715-1488	joseph.seydl@wellsfargo.com
Sarah Watt	Economic Analyst	(704) 374-7142	sarah.watt@wellsfargo.com
Kaylyn Swankoski	Economic Analyst	(704) 715-0526	kaylyn.swankoski@wellsfargo.com

Wells Fargo Securities Economics Group publications are produced by Wells Fargo Securities, LLC, a U.S broker-dealer registered with the U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority, and the Securities Investor Protection Corp. Wells Fargo Securities, LLC, distributes these publications directly and through subsidiaries including, but not limited to, Wells Fargo & Company, Wells Fargo Bank N.A., Wells Fargo Advisors, LLC, Wells Fargo Securities International Limited, Wells Fargo Securities Asia Limited and Wells Fargo Securities (Japan) Co. Limited. The information and opinions herein are for general information use only. Wells Fargo Securities, LLC does not guarantee their accuracy or completeness, nor does Wells Fargo Securities, LLC assume any liability for any loss that may result from the reliance by any person upon any such information or opinions. Such information and opinions are subject to change without notice, are for general information only and are not intended as an offer or solicitation with respect to the purchase or sales of any security or as personalized investment advice. Wells Fargo Securities, LLC is a separate legal entity and distinct from affiliated banks and is a wholly owned subsidiary of Wells Fargo & Company © 2011 Wells Fargo Securities, LLC.

SECURITIES: NOT FDIC-INSURED/NOT BANK-GUARANTEED/MAY LOSE VALUE

