



TD Economics

January 19, 2012

Data Release: Housing Starts Disappoint, But Momentum Remains Encouraging

- U.S. housing starts fell 4.1% in December, to reach an annualized rate of 657K. This was much worse than the market's expectation for a 0.7% decline to 680K. Revisions to prior months were minimal.
- Single family starts rose 4.4% to reach 470K units. Meanwhile, the more volatile multi-family category fell 20.4% to 187K units.
- Building permits also nudged slightly lower on the month to 679K in December from 680K in November.

Key Implications

- There are two reasons today's report is more encouraging than the headline number suggests. First, despite today's decline, on a three month average basis, housing starts are trending at their highest level since December 2008. Furthermore, building permits are also trending at a post-recession high, indicating that recent momentum should remain in tact.
- Second, single-family housing starts have now risen for three consecutive months, and on a three month average basis are growing at their fastest rate since the homebuyer's tax credit artificially buoyed activity in 2009.
- Still, even after three months of gains, single-family starts remain *exceptionally* low. Given the nation's elevated stock of foreclosures, high jobless rate and weak housing sales, the housing market still faces numerous headwinds to recovery.

Alistair Bentley, Economist
416-307-5968

DISCLAIMER

This report is provided by TD Economics. It is for information purposes only and may not be appropriate for other purposes. The report does not provide material information about the business and affairs of TD Bank Group and the members of TD Economics are not spokespersons for TD Bank Group with respect to its business and affairs. The information contained in this report has been drawn from sources believed to be reliable, but is not guaranteed to be accurate or complete. The report contains economic analysis and views, including about future economic and financial markets performance. These are based on certain assumptions and other factors, and are subject to inherent risks and uncertainties. The actual outcome may be materially different. The Toronto-Dominion Bank and its affiliates and related entities that comprise TD Bank Group are not liable for any errors or omissions in the information, analysis or views contained in this report, or for any loss or damage suffered.