Economic Analysis
18 June 2013

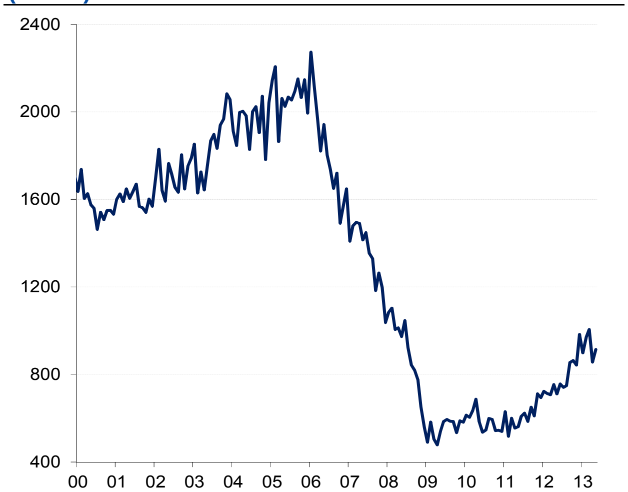
U.S. Housing Flash

Housing Starts Rise on Continued Strength in Multi-family Units

- **Housing starts rose 6.8% in May, less than expected but still positive after April's drop**
- **Building permits fell by 3% but remain moderately strong**

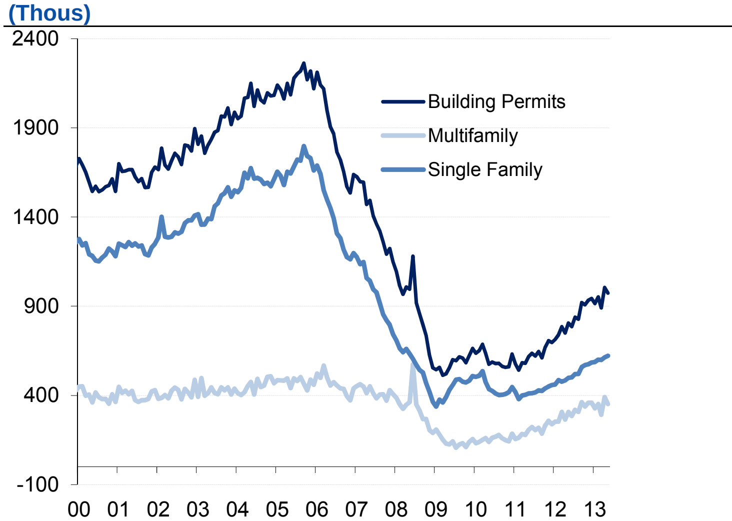
Housing starts and building permits remain a mixed bag as both continue to show strength but not in the magnitude that is expected given the resolute nature of the recovery. Housing starts in May rose by 58K after a relatively sharp decline the month prior. The bulk of starts remains heavily focused in the multi-unit structures rather than single unit, where demand is pent up and prices continue to accelerate. Multi-unit structures grew by 21.6% in May, up 56K, accounting for more than 90% of the housing starts increase for the month. Single-unit growth remains slow as construction is hindered by tight credit standards and difficulty procuring space to construct new neighborhoods and homes. Nevertheless, the rise in housing starts continues to foreshadow some increase in the supply of new homes as demand remains very strong. In terms of building permits, the monthly figures continue to show strength in the number of permits allowed although the translation into actual home construction remains to be seen. Permits declined from a multi-year high in April but remain well above the average for the period at 974K in May. Overall the recovery continues to show strength as headwinds are being slowly eroded as activity picks up pace.

Chart 1
Housing Starts (Thous)



Source: US Census Bureau & BBVA Research

Chart 2
Building Permits, Single and Multifamily Structures (Thous)



Source: Us Census Bureau & BBVA Research

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