

Wells Fargo Securities: Multifamily Strong in 2012

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Another big year for multifamily construction could push housing starts up 13% in 2012 after posting a 4% increase last year, according to a new forecast from Wells Fargo Securities.

"Strong demand for apartments should help boost multifamily starts by at least 25% in 2012. Overall starts should rise to 690,000, which would be the best year since 2008," the WFS economics group says in its monthly Housing Data Wrap-Up report.

WFS estimates that single-family starts will rise 7.5% in 2012 to 460,000 units but multifamily will jump by 26% to 230,000 units.

Meanwhile, the improvement in home sales and construction in November appears to reflect a "firming" in demand, according to the economists. But it also reflects "unseasonably" mild weather this fall, which greatly exaggerates the seasonally adjusted figures reported by the Census Bureau and others.

"The arrival of more typical weather in January and February would bring those figures back down fairly quickly and probably leave them close to their average levels for the past year or so," the group says.

The WFS economists also are warning that home prices based on the S&P Case-Shiller HPI have fallen 6.3% over the three-month period ending in October. "This sharp drop in house prices ... should raise some caution flags for those expecting dramatic gains in 2012."

WFS sees the 20-city Case-Shiller HPI falling 3% in 2012 after a 3.6% decline last year.