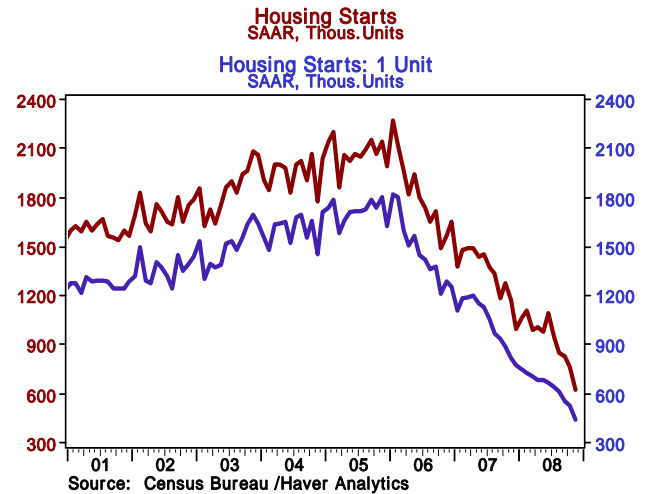


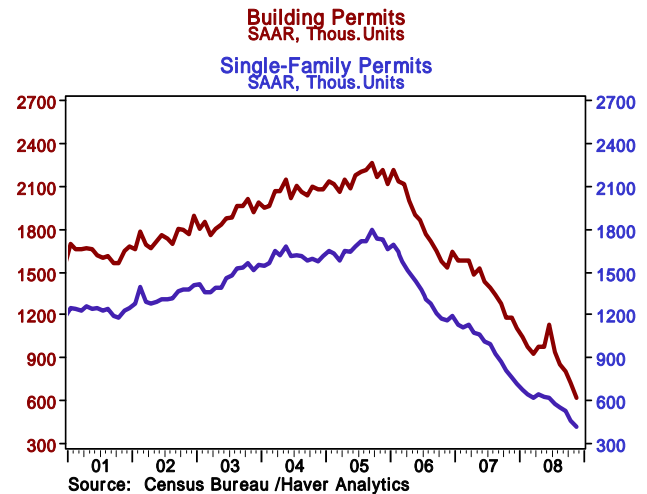
NOVEMBER HOUSING STARTS

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- Housing starts declined 18.9% in November to 625,000 units at an annual rate, falling well short of the consensus expected 736,000 rate. Starts are down 47.0% versus a year ago and off 72.5% from the peak in January 2006.
- The decline in starts in November affected both single-unit starts, which fell 16.9%, and multi-family starts, which fell 23.3%.
- Starts fell in all major regions of the country.
- New building permits fell 15.6% in November to 616,000 units at an annual rate, well below the consensus expected rate of 700,000. Single-family permits declined 12.3% in November, are down 46.3% versus last year and 77.1% since the peak in September 2005.



Implications: This is what the bottom looks like. Housing starts are now the lowest level in at least 50 years as home builders forcefully clear out excess inventory. Despite the drop in starts, home completions rose in November and have been hovering in the same range for the past several months, with the ratio of completions-to-starts now the second highest on record. This suggests builders are putting their work crews on finishing homes they were already building, while reluctant to break new ground. Home builders may continue to reduce starts a bit in the months ahead, but there is just not that much room left for major declines. Back in 2005, single-family starts peaked at a 1.75 million annual rate, of which 1.4 million were built for sale (as opposed to knockdowns, for example). Now, single-family starts are running at a 441,000 annual rate with only about 280,000 being built for sale. This is not nearly enough to meet the demand for new homes, which is still running at about 400,000 per year. So inventories will continue to fall quickly. In addition, from a long-term perspective, with new home sales eventually returning to an average annual pace of 900,000+ (due to population growth and a taste for new homes), we expect building activity to rebound quickly in 2010 once inventory levels are back to normal.



Housing Starts SAAR, thousands	Monthly % Ch.	Nov-08 Level	Oct-08 Level	Sep-08 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-18.9%	625	771	824	740	852	-47.0%
Northeast	-34.6%	51	78	112	80	132	-60.2%
Midwest	-23.1%	93	121	138	117	129	-55.5%
South	-15.6%	347	411	410	389	417	-40.9%
West	-16.8%	134	161	164	153	174	-47.5%
Single-Unit Starts	-16.9%	441	531	551	508	574	-46.0%
Multi-Unit Starts	-23.3%	184	240	273	232	278	-49.3%
Building Permits	-15.6%	616	730	805	717	847	-48.1%
Single-Unit Permits	-12.3%	412	470	538	473	529	-46.3%

Source: U.S. Census Bureau

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