Data Watch

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November Housing Starts

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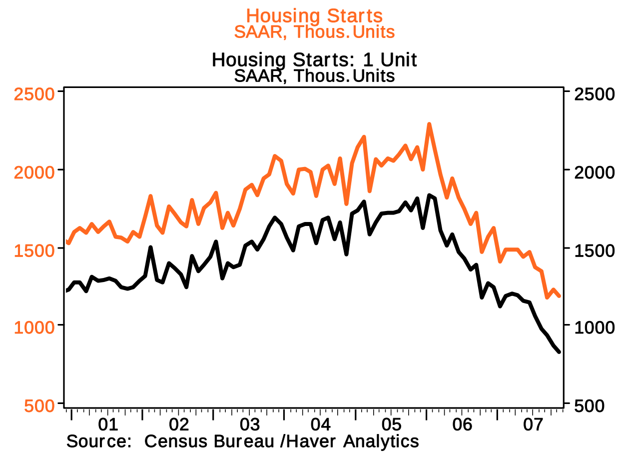
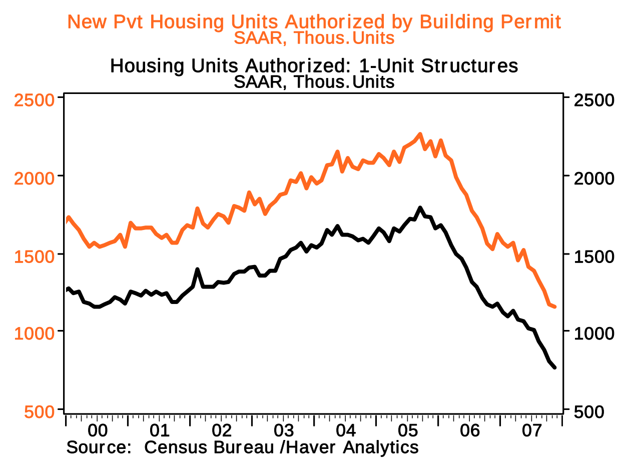
- Housing starts declined 3.7% in November to 1.187 million units at an annual rate, slightly above consensus expectations of a 1.176 million rate. Starts are down 24.2% versus a year ago and off 48.2% from the peak in January 2006.
- The decline in starts in November was all due to single-family starts, which fell 5.4% to an 829,000 annual rate, the lowest since 1991. Multi-unit starts were essentially unchanged in November and are up 22.6% versus last year.
- By region, the decline in starts was in the Northeast and West. Starts were essentially unchanged in the South and Midwest.
- New building permits declined 1.5% in November, the smallest drop in six months, to 1.152 million units at an annual rate, slightly above consensus expectations. Single-family permits are down 33.7% versus last year and 57.5% since the peak in September 2005.





Implications: Home building is very close to making a bottom. Single-family housing starts are down to 829,000 at an annual rate. Historical data suggests that at least 300,000 units are being built on land already owned by homeowners (knock-downs and previously vacant plots), which means about 529,000 (or fewer) are being built by developers. (See our November 27 piece, "Seeing the Light at the End of the Housing Tunnel.") This is substantially lower than the annual rate of new home sales by developers, which was 728,000 in October. In other words, starts have fallen enough to cause a decline in the inventory of unsold homes. There is more pain to come in housing: in Q4, residential construction will again subtract about one percentage point from real GDP growth and average home prices nationwide will continue to fall for the next 12-24 months. However, the light at the end of the tunnel is getting clearer every month.

Housing Starts *SAAR, thousands*	**Monthly** *% Ch.*	**Nov-07** *Level*	**Oct-07** *Level*	**Sep-07** *Level*	**3-mth** *moving avg*	**6-mth** *moving avg*	**Yr to Yr** *% Change*
Housing Starts	**-3.7%**	1187	1232	1182	1200	1298	-24.2%
Northeast	**-16.3%**	128	153	141	141	137	-16.3%
Midwest	**-1.5%**	202	205	171	193	216	-11.0%
South	**0.3%**	601	599	600	600	645	-27.4%
West	**-6.9%**	256	275	270	267	300	-28.3%
Single-Unit Starts	**-5.4%**	829	876	938	881	970	-34.9%
Multi-Unit Starts	**0.6%**	358	356	244	319	328	22.6%
Building Permits	**-1.5%**	1152	1170	1261	1194	1285	-24.6%
Single-Unit Permits	**-5.6%**	764	809	877	817	902	-33.7%

Source: U.S. Census Bureau