

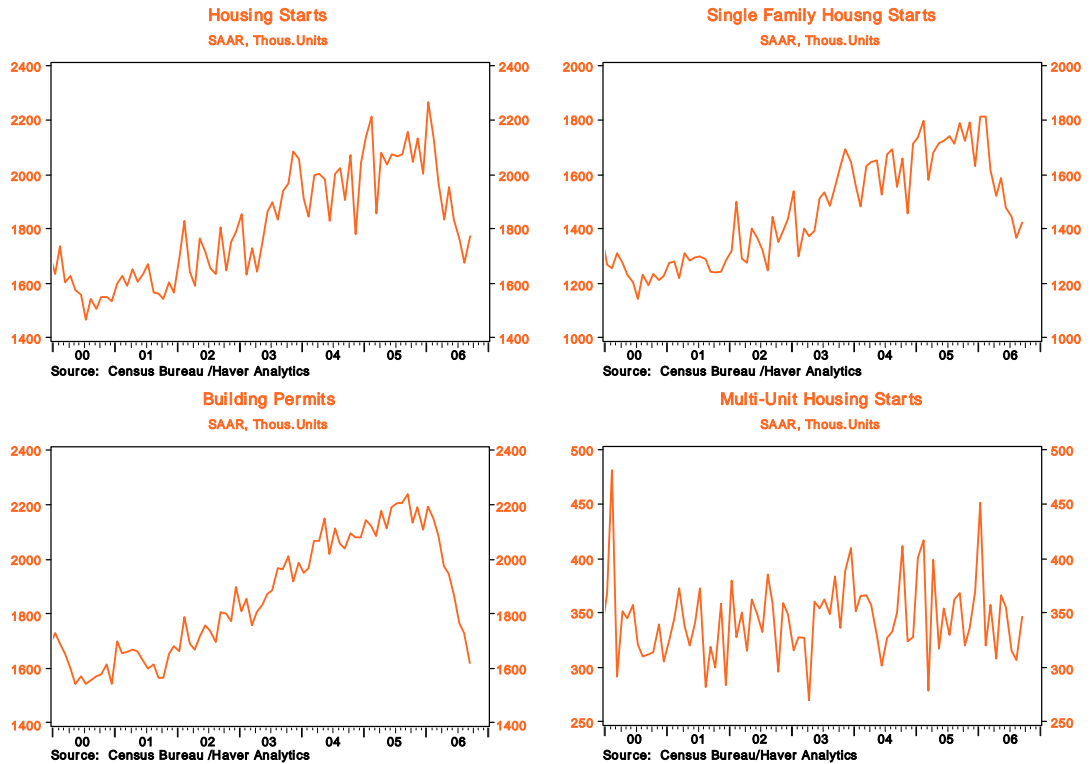
## SEPTEMBER HOUSING STARTS

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- Housing starts rose 5.9% in September to 1.772 million units at an annual rate. This was significantly above consensus estimates of 1.640M. Single family starts rose 4.3% while multi-unit starts jumped 12.7%.
- New building permits declined 6.3% in September to an annualized 1.619 million units – the lowest level in over four years.
- Housing completions rose 11.2% to 2.084 million units in September – the fastest one-month change since 1999.

**Implications:** After three consecutive monthly declines, housing starts rebounded in September to 1.772 million units at an annual rate. While

this level is 21.8% below its peak in January, it is still 12.7% higher than the 2000 average. The slight rebound in new home sales in August; the stronger than expected housing starts data in September; continued strength in employment and incomes; and low interest rates, suggest some stabilization in what has been a very weak housing market. However, the sharp decline in permits to their lowest level in four years signals that we are not out of the woods yet. Turning towards the implications on upcoming data, housing completions surged 11.2% last month and are 7.2% higher than a year ago. This jump gives us reason to think that the residential construction component of Q3 GDP will not be as weak as we originally anticipated. As a result, we believe Q3 real GDP, when reported next week, will be between 2 ¼% and 2 ¾% with the possibility of an upside surprise.



Housing Starts SAAR, thousands	Monthly % Ch.	Sep-06 Level	Aug-06 Level	Jul-06 Level	3-mth moving avg	6-mth moving avg	Yr over Yr % Ch.
<b>Housing Starts</b>	<b>5.9%</b>	<b>1772</b>	1674	1760	1735	1804	-17.9%
<b>Northeast</b>	<b>-14.1%</b>	<b>134</b>	156	148	146	164	-31.3%
<b>Midwest</b>	<b>3.4%</b>	<b>270</b>	261	293	275	292	-28.4%
<b>South</b>	<b>14.0%</b>	<b>975</b>	855	889	906	910	-3.8%
<b>West</b>	<b>-2.2%</b>	<b>393</b>	402	430	408	438	-31.3%
<b>Single-unit</b>	<b>4.3%</b>	<b>1426</b>	1367	1445	1413	1471	-20.3%
<b>Multi-unit</b>	<b>12.7%</b>	<b>346</b>	307	315	323	333	-6.0%
<b>2-4 unit</b>	<b>-22.0%</b>	<b>32</b>	41	83	52	51	-44.8%
<b>5 unit</b>	<b>18.0%</b>	<b>314</b>	266	232	271	282	1.3%
<b>Building Permits</b>	<b>-6.3%</b>	<b>1619</b>	1727	1763	1703	1816	-27.7%
<b>Single-unit</b>	<b>-6.0%</b>	<b>1207</b>	1284	1325	1272	1368	-32.1%
<b>2-4 unit</b>	<b>-5.4%</b>	<b>70</b>	74	85	76	75	-19.5%
<b>5 unit</b>	<b>-7.3%</b>	<b>342</b>	369	353	355	373	-8.8%

Source: U.S. Census Bureau

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