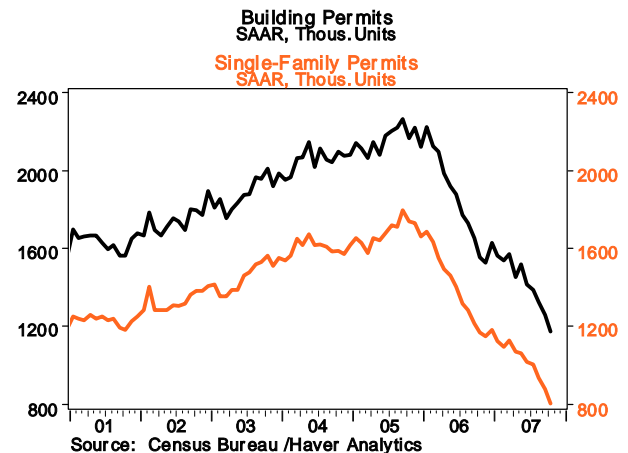
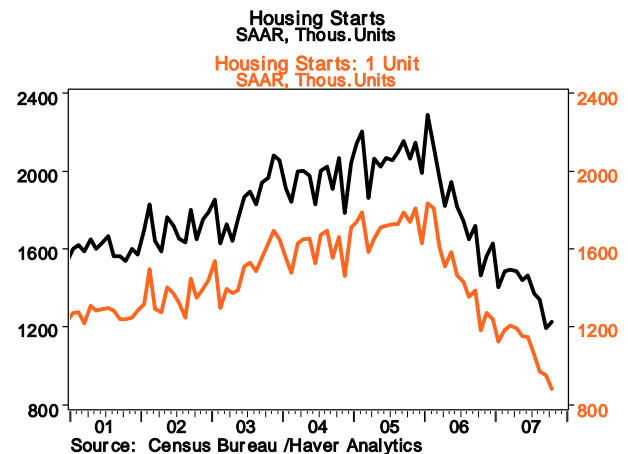


OCTOBER HOUSING STARTS

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- Housing starts increased 3.0% in October to 1.229 million units at an annual rate, above consensus expectations of a 1.170 million rate. Starts are down 16.4% versus a year ago and off 51.9% from the peak in January 2006.
- The increase in starts in October was all due to multiple-family starts, which reversed most of last month's steep decline. Single-family starts declined 7.3% to an 884,000 annual rate, the seventh straight decline and the lowest level since 1991.
- By region, the rise in starts was spread across the Northeast (up 8.5%), the Midwest (up 21.1%), and West (up 5.8%). Starts declined 4.6% in the South.
- New building permits declined 6.6% in October to 1.178 million units at an annual rate, slower than the consensus expected 1.200 million. Single-family permits are down 31.0% versus last year and 55.1% since the peak in September 2005.



Implications: Housing starts were worse than the positive headline number, but within there are signs that developers are sowing the seeds of an eventual recovery in home building. Single-family housing starts are down to 884,000 at an annual rate. Historical data suggests that about 300,000 are being built on land already owned by the homeowner, which means about 584,000 being built by developers. This rate of building is well below the most recent data we have on new home sales, which were running at an annual rate of 770,000 in September. 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, but we can now clearly see the light at the end of the tunnel.

Housing Starts SAAR, thousands	Monthly % Ch.	Oct-07 Level	Sep-07 Level	Aug-07 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	3.0%	1229	1193	1347	1256	1341	-16.4%
Northeast	8.5%	153	141	96	130	144	4.1%
Midwest	21.1%	207	171	244	207	223	-10.8%
South	-4.6%	577	605	697	626	659	-19.1%
West	5.8%	292	276	310	293	315	-22.8%
Single-Unit Starts	-7.3%	884	954	974	937	1029	-25.1%
Multi-Unit Starts	44.4%	345	239	373	319	313	19.4%
Building Permits	-6.6%	1178	1261	1322	1254	1347	-24.5%
Single-Unit Permits	-8.0%	807	877	934	873	951	-31.0%

Source: U.S. Census Bureau