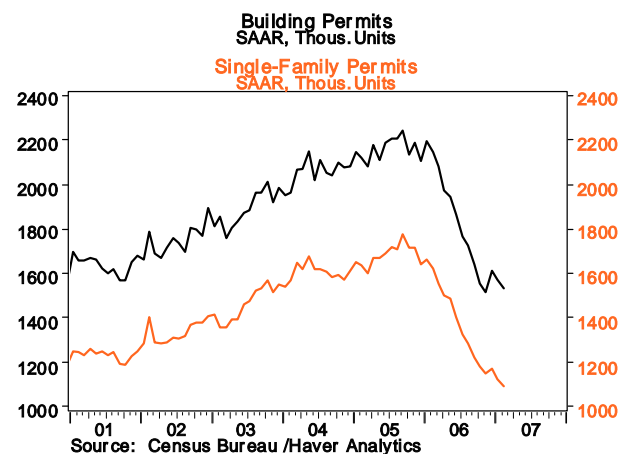
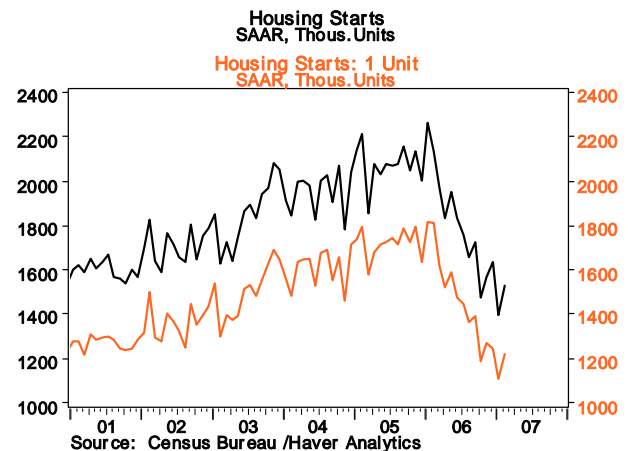


FEBRUARY HOUSING STARTS

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- Housing starts increased 9.0% in February to 1.525 million units at an annual rate. The consensus had expected a smaller gain of 3.0%. Starts were revised down slightly for both December and January.
- Nationwide, single-family starts rose 10.3% and multiple-unit starts increased 4.1%. By region, the jump in starts was due to the South and the West. Starts fell in the Northeast and also in the Midwest, where they were the third lowest for any month since 1983.
- New building permits fell 2.5% in February to 1.532 million units at an annual rate, a slightly larger drop than the consensus expected. Most of the drop in building permits was attributable to single-family units. Building permits were down 28.6% versus February 2006.

Implications: Despite the headline bounce in housing starts the pain continues in home building. The 3-month moving average of starts fell for the 12th straight month and the year-to-year drops in starts (28.5%) and permits (28.6%) are near the worst since 1991. Moreover, in March the National Association of Home Builders Market Index reversed most of February's gain, dropping from 39 to 36. However, a glimmer of light can still be made out at the end of the (long) tunnel. Unlike the 3-month moving average of starts, the 3-month moving average of permits seems to have turned a corner a couple of months ago. That average dropped for eleven straight months in 2006 but has risen for the past two months.



Housing Starts SAAR, thousands	Monthly % Ch.	Feb-07 Level	Jan-07 Level	Dec-06 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	9.0%	1525	1399	1633	1519	1554	-28.5%
Northeast	-29.7%	135	192	173	167	156	-27.4%
Midwest	-14.4%	161	188	225	191	218	-50.6%
South	18.0%	827	701	810	779	803	-20.3%
West	26.4%	402	318	425	382	377	-30.9%
Single-Unit Starts	10.3%	1220	1106	1245	1190	1237	-32.7%
Multi-Unit Starts	4.1%	305	293	388	329	317	-4.7%
Building Permits	-2.5%	1532	1571	1613	1572	1570	-28.6%
Single-Unit Permits	-3.1%	1089	1124	1168	1127	1155	-32.9%

Source: U.S. Census Bureau