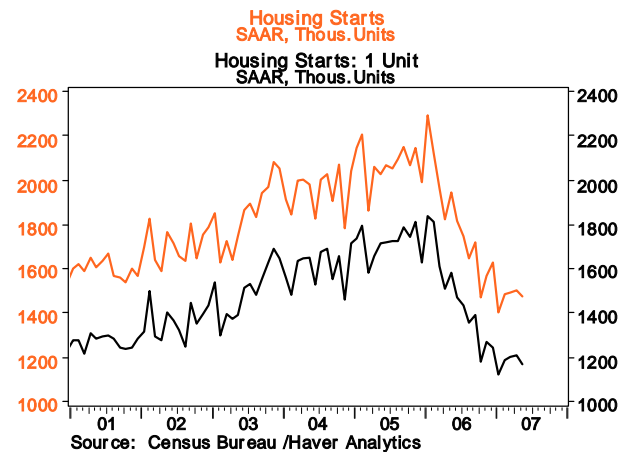


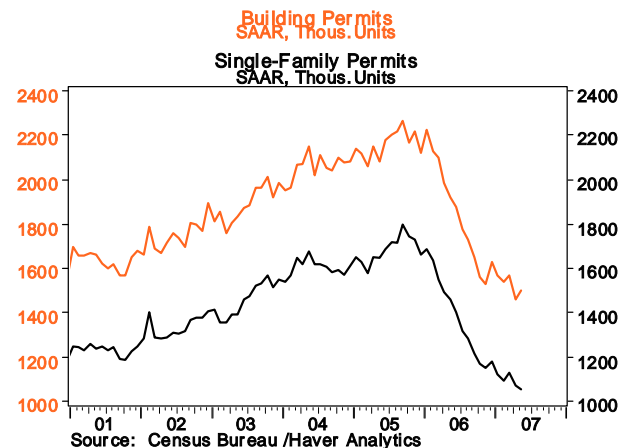
## MAY HOUSING STARTS

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- Housing starts declined 2.1% in May to 1.474 million units at an annual rate, matching consensus expectations. Starts are down 24.2% versus a year ago.
- The drop in starts was all due to single-family units, which declined 3.4% in May. Multiple-unit starts increased 3.1%. By region, starts declined in the South and West but rose in the Northeast and Midwest.
- New building permits increased 3.0% in May to 1.501 million units at an annual rate, faster than the consensus expected 1.473 million rate. The rise was all due to multiple-unit permits. Permits to build single-family units declined 1.8% and are down 27.7% versus a year ago.



**Implications:** Another mixed report on the housing market. As the charts show, housing starts appear to have leveled off in the past few months. Although permits for single-family units continue to decline, they are dropping at a slower rate than most of 2006. Permits for multiple-unit homes in May hit their highest level in 2007 and were only down 2.8% versus a year ago. The report makes clear that housing is not in free fall. The labor market is strong, incomes are growing, and Baby Boomers have been entering the age of vacation homes, all providing fundamental support to the sector, despite the “froth” that developed a few years ago. The drag of housing on GDP growth will be much smaller in Q2 than the average of -1 percentage point in the previous year. However, housing will remain a drag on GDP growth at least through year end, as the sector continues to work off excess inventory.



Housing Starts SAAR, thousands	Monthly % Ch.	May-07 Level	Apr-07 Level	Mar-07 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
<b>Housing Starts</b>	<b>-2.1%</b>	1474	1506	1491	1490	1498	-24.2%
<b>Northeast</b>	<b>15.7%</b>	192	166	129	162	164	-2.5%
<b>Midwest</b>	<b>15.5%</b>	238	206	226	223	208	-17.9%
<b>South</b>	<b>-1.6%</b>	726	738	765	743	756	-23.1%
<b>West</b>	<b>-19.7%</b>	318	396	371	362	371	-38.0%
<b>Single-Unit Starts</b>	<b>-3.4%</b>	1170	1211	1205	1195	1190	-26.0%
<b>Multi-Unit Starts</b>	<b>3.1%</b>	304	295	286	295	309	-16.0%
<b>Building Permits</b>	<b>3.0%</b>	1501	1457	1569	1509	1544	-21.7%
<b>Single-Unit Permits</b>	<b>-1.8%</b>	1056	1075	1131	1087	1112	-27.7%

Source: U.S. Census Bureau