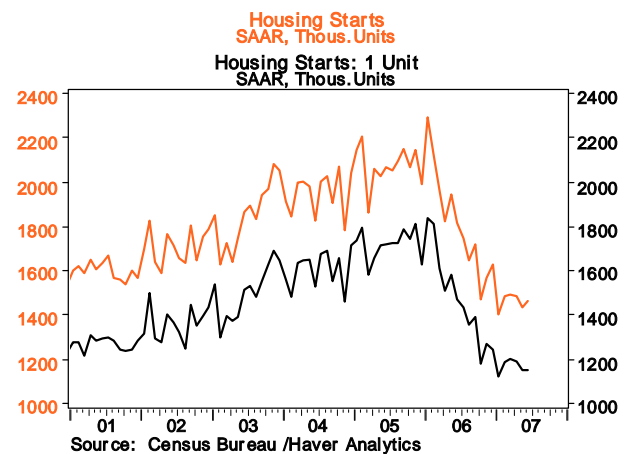


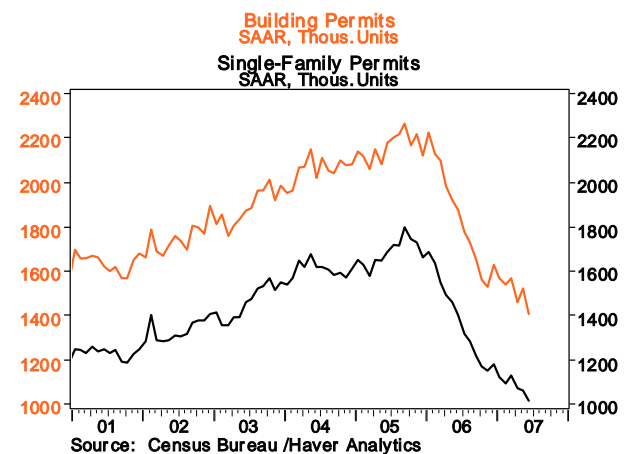
JUNE HOUSING STARTS

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- Housing starts increased 2.3% in June to 1.467 million units at an annual rate, slightly beating consensus expectations. However, starts were revised down for April and May. Starts are down 19.4% versus a year ago.
- The rise in starts in June was all due to multi-family units, which increased 12.5%. Single-family units dropped 0.2%. By region, starts rose in the South and West, fell in the Midwest, and were basically unchanged in the Northeast.
- New building permits declined 7.5% in June to 1.406 million units at an annual rate, slower than the consensus expected 1.480 million rate. Permits are down 25.2% versus last year, 27.5% for single-family units.



Implications: Monthly reports on activity in the housing sector continue to be mixed. As the charts show, housing starts appear to have leveled off in the past several months, hovering between a 1.4 and 1.5 million annual rate throughout the first half of 2007. Now that we have data on home construction for the full second quarter we estimate that residential construction will subtract about 0.4 percentage points from Q2 real GDP growth, substantially less than the average drag of a full percentage point from the second quarter of 2006 through the first quarter of 2007. However, building permits continue to decline, suggesting that although the worst pain in the housing sector may be over, there is still some pain to come as builders adjust to work off home inventories.



| Housing Starts SAAR, thousands | Monthly % Ch. | Jun-07 Level | May-07 Level | Apr-07 Level | 3-mth moving avg | 6-mth moving avg | Yr to Yr % Change |
|-----------------------------------|------------------|-----------------|-----------------|-----------------|---------------------|---------------------|----------------------|
| Housing Starts | 2.3% | 1467 | 1434 | 1485 | 1462 | 1461 | -19.4% |
| Northeast | -2.4% | 161 | 165 | 163 | 163 | 157 | -3.6% |
| Midwest | -3.7% | 233 | 242 | 206 | 227 | 210 | -20.2% |
| South | 2.4% | 721 | 704 | 726 | 717 | 736 | -20.4% |
| West | 9.0% | 352 | 323 | 390 | 355 | 359 | -22.5% |
| Single-Unit Starts | -0.2% | 1151 | 1153 | 1195 | 1166 | 1169 | -21.6% |
| Multi-Unit Starts | 12.5% | 316 | 281 | 290 | 296 | 292 | -9.7% |
| Building Permits | -7.5% | 1406 | 1520 | 1457 | 1461 | 1510 | -25.2% |
| Single-Unit Permits | -4.1% | 1019 | 1063 | 1075 | 1052 | 1086 | -27.5% |

Source: U.S. Census Bureau