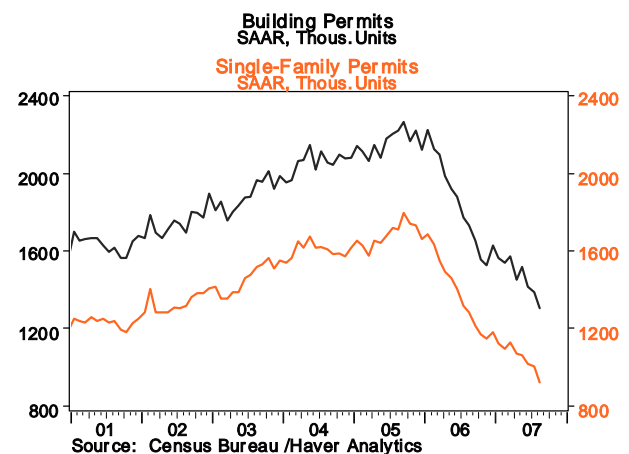
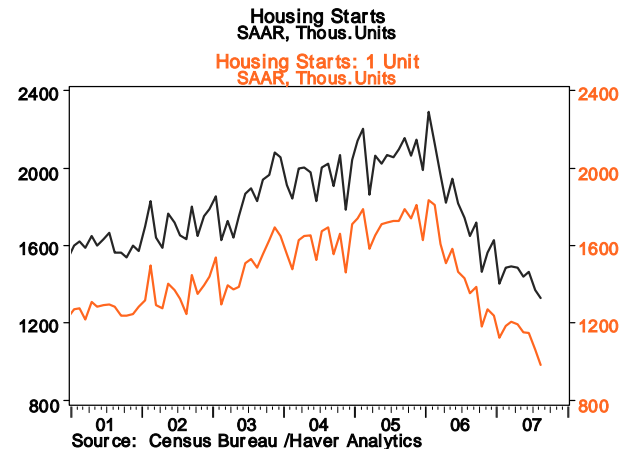


AUGUST HOUSING STARTS

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- Housing starts declined 2.6% in August to 1.331 million units at an annual rate, below consensus expectations of a 1.350 million rate. Starts are down 19.1% versus a year ago.
- The decline in starts in August was all due to single-family homes, which fell 7.1%. Multi-family starts increased 12.8%.
- By region, the drop in starts was concentrated in the Northeast (down 37.7%) and West (down 18.4%). Starts increased in the South (up 11.4%) and Midwest (up 4.2%).
- New building permits declined 5.9% in August to 1.307 million units at an annual rate, slower than the consensus expected 1.350 million. Permits are down 24.5% versus last year, 27.9% for single-family units.



Implications: Another bad report on activity in the housing sector. Housing starts are the lowest since 1995; single-family starts are the lowest since 1993. Given the overhang in housing inventory, a full recovery in home building is still a long distance off. Residential construction looks like it will exert a 0.6 percentage point drag on real GDP growth in Q3, offsetting the boost from growth due to improvement in exports. Starts fell the most in the Northeast and West, the regions that made the most use of exotic mortgage products, including sub-prime, and are being hit the hardest with foreclosures. This suggests builders are quickly responding to changes in the landscape of mortgage credit.

Housing Starts SAAR, thousands	Monthly % Ch.	Aug-07 Level	Jul-07 Level	Jun-07 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-2.6%	1331	1367	1468	1389	1430	-19.1%
Northeast	-37.7%	96	154	156	135	144	-39.2%
Midwest	4.2%	248	238	232	239	233	-0.8%
South	11.4%	716	643	726	695	713	-15.0%
West	-18.4%	271	332	354	319	341	-31.6%
Single-Unit Starts	-7.1%	988	1063	1147	1066	1126	-27.1%
Multi-Unit Starts	12.8%	343	304	321	323	305	17.9%
Building Permits	-5.9%	1307	1389	1413	1370	1443	-24.5%
Single-Unit Permits	-8.1%	926	1008	1019	984	1037	-27.9%

Source: U.S. Census Bureau