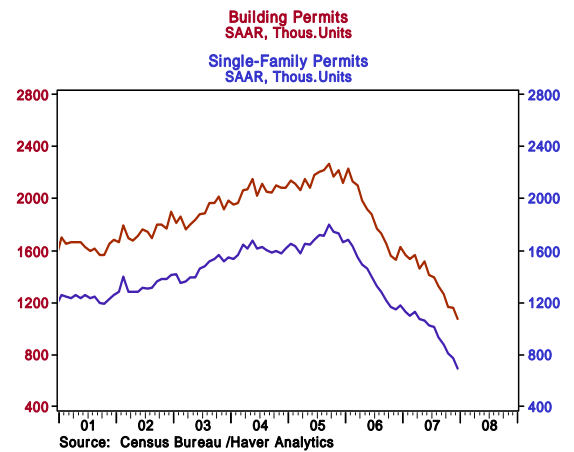
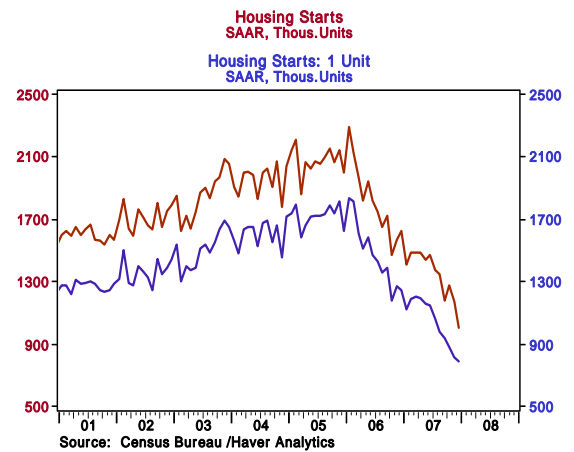


DECEMBER HOUSING STARTS

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- Housing starts declined 14.2% in December to 1.006 million units at an annual rate, well below consensus expectations of a 1.145 million rate. Starts are down 38.2% versus a year ago and off 56.1% from the peak in January 2006.
- Most of the decline in starts in December was due to multiple-family starts, which plummeted 40.3% to a 212,000 annual rate, the lowest since 1994. Single-family starts fell 2.9% in December, to a level last seen in 1991, and are down 36.0% versus last year.
- By region, the decline in starts was widespread, with all major regions experiencing lower starts than in November.
- New building permits declined 8.1% in December to 1.068 million units at an annual rate, below consensus expectations of a 1.135 million rate. Single-family permits are down 41.4% versus last year and 61.5% since the peak in September 2005.

Implications: The carnage we are currently seeing in the home building industry is exactly what we need to see to bring the housing sector back to normal. Single-family housing starts are down to 794,000 at an annual rate. History suggests that at least 300,000 units per year are started on land already owned by homeowners (knock-downs and previously vacant plots), which means fewer than 500,000 are being built by developers. (See our November 27 piece, [“Seeing the Light at the End of the Housing Tunnel.”](#)) This is lower than the annual rate of new home sales by developers (647,000 in November). So starts have fallen enough to cause an eventual decline in the inventory of unsold homes. In other news this morning, new claims for unemployment insurance plummeted last week to 301,000 from 322,000 the week before. In the past three weeks the 4-week moving average of jobless claims has declined to 328,500 from 344,500, suggesting a return to healthy job creation in January.



Housing Starts SAAR, thousands	Monthly % Ch.	Dec-07 Level	Nov-07 Level	Oct-07 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-14.2%	1006	1173	1274	1151	1226	-38.2%
Northeast	-25.8%	95	128	163	129	129	-45.4%
Midwest	-30.8%	146	211	206	188	203	-35.4%
South	-3.3%	560	579	619	586	617	-30.7%
West	-19.6%	205	255	286	249	277	-51.3%
Single-Unit Starts	-2.9%	794	818	879	830	910	-36.0%
Multi-Unit Starts	-40.3%	212	355	395	321	315	-45.4%
Building Permits	-8.1%	1068	1162	1170	1133	1229	-34.4%
Single-Unit Permits	-10.1%	692	770	809	757	848	-41.4%

Source: U.S. Census Bureau