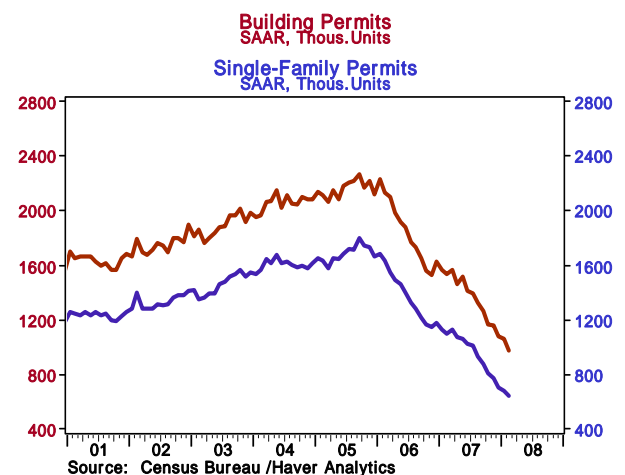
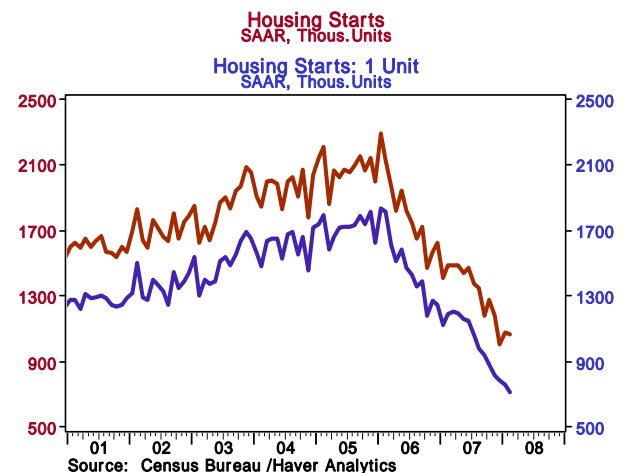


FEBRUARY HOUSING STARTS

Chief Economist – Brian S. Wesbury
Senior Economist – Robert Stein, CFA

- Housing starts declined 0.6% in February to 1.065 million units at an annual rate. However, due to upward revisions for January, starts came in well above the consensus expected level of 0.995 million units. Starts are down 28.4% versus a year ago and off 53.5% from the peak in January 2006.
- Single-family starts fell 6.7% in February and are down 40.5% versus last year. Multiple-family starts increased, continuing to rebound from the plunge in December.
- The entire decline in starts was in the Northeast. Starts were flat in the Midwest and increased in both the South and West.
- New building permits declined 7.8% in February to 0.978 million units at an annual rate, which was below consensus expectations. Single-family permits are down 41.9% versus last year and 64.5% since the peak in September 2005.

Implications: Although total housing starts came in above expectations, single-family housing starts continued to decline in February. With the exception of only one month back in 1991, single-family starts are now lower than at any time since 1982. Expect more of the same in the months ahead, as single-family building permits are also at the second lowest level since 1982. However, this is good news for the future of the housing industry. Home building is now at a level that will begin to bring down the massive overhang of home inventories. That said, we expect home building to continue to contract through this summer and that prices (on a nationwide average basis) will not bottom until mid-2009. (See our November 27 piece, [“Seeing the Light at the End of the Housing Tunnel.”](#))



Housing Starts SAAR, thousands	Monthly % Ch.	Feb-08 Level	Jan-08 Level	Dec-07 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-0.6%	1065	1071	1000	1045	1128	-28.4%
Northeast	-27.7%	102	141	102	115	130	-23.9%
Midwest	0.0%	159	159	137	152	174	-2.5%
South	3.9%	555	534	550	546	574	-30.5%
West	5.1%	249	237	211	232	251	-36.5%
Single-Unit Starts	-6.7%	707	758	782	749	813	-40.5%
Multi-Unit Starts	14.4%	358	313	218	296	315	19.7%
Building Permits	-7.8%	978	1061	1080	1040	1119	-36.5%
Single-Unit Permits	-6.2%	639	681	702	674	746	-41.9%

Source: U.S. Census Bureau