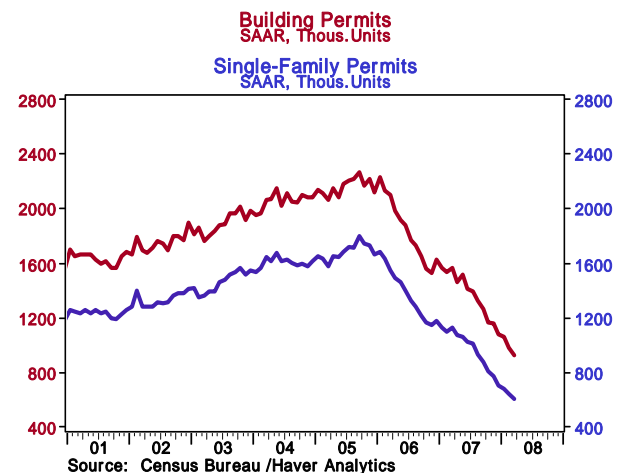
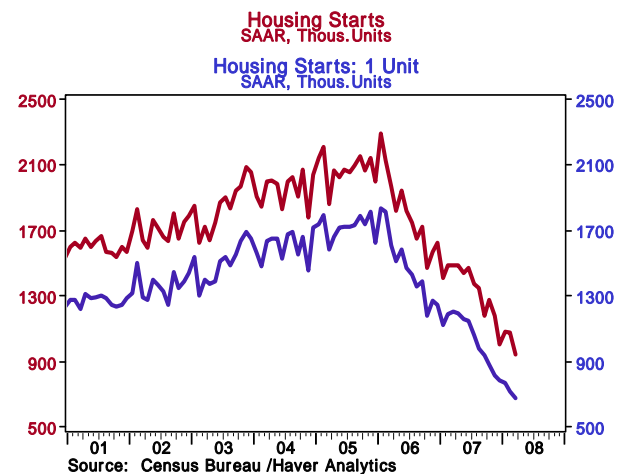


MARCH HOUSING STARTS

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

- Housing starts dropped 11.9% in March to 947,000 units at an annual rate. The consensus had expected a smaller decline to a 1.01 million rate. Starts are down 36.5% versus a year ago and off 58.7% from the peak in January 2006.
- Single-family starts fell 5.7% in March and are down 43.6% versus last year. Multiple-unit starts dropped 24.6% but are only down 6.6% versus last year.
- Starts fell in every major region of the country.
- New building permits declined 5.8% in March to 927,000 units at an annual rate, which was below consensus expectations. Single-family permits are down 46.4% versus last year and 66.3% since the peak in September 2005.

Implications: We see the steep drop in home building in March as a glass half-full, not half-empty. Single-family housing starts are at the second lowest monthly level since 1982. But this is what has to happen in order for home builders to work off their excess inventories, and then start to recover. The correction in inventories is underway and the precipitous decline in home building in March makes it more likely that building will hit bottom in 2008, rather than 2009. That said, we continue to expect home prices to drop through mid-2009 (on a nationwide average basis). (See our November 27 piece, [“Seeing the Light at the End of the Housing Tunnel.”](#))



Housing Starts SAAR, thousands	Monthly % Ch.	Mar-08 Level	Feb-08 Level	Jan-08 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-11.9%	947	1075	1083	1035	1093	-36.5%
Northeast	-8.5%	97	106	148	117	124	-24.8%
Midwest	-21.4%	121	154	157	144	164	-46.5%
South	-12.6%	499	571	537	536	561	-34.8%
West	-5.7%	230	244	241	238	244	-38.0%
Single-Unit Starts	-5.7%	680	721	766	722	774	-43.6%
Multi-Unit Starts	-24.6%	267	354	317	313	319	-6.6%
Building Permits	-5.8%	927	984	1061	991	1064	-40.9%
Single-Unit Permits	-6.2%	606	646	681	644	702	-46.4%

Source: U.S. Census Bureau