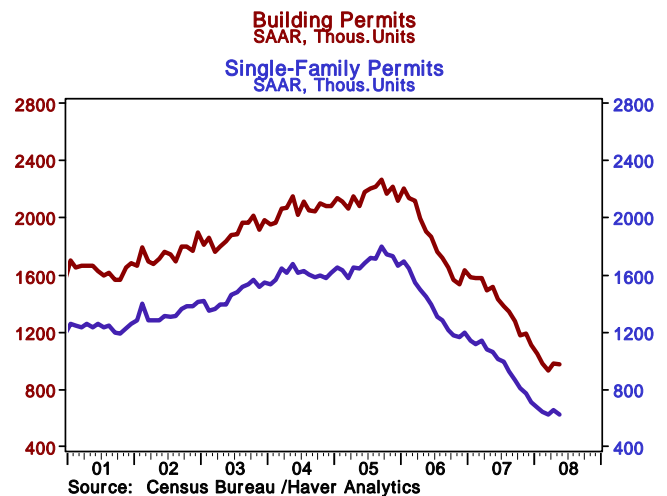
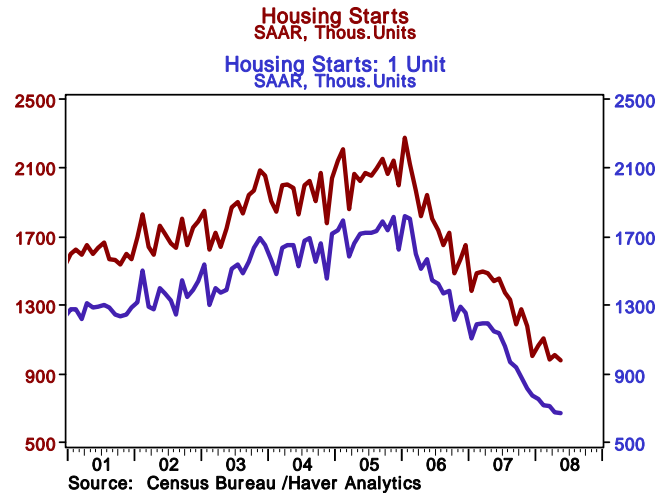


# MAY HOUSING STARTS

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- Housing starts declined 3.3% in May to 975,000 units at an annual rate. The consensus had expected a 980,000 rate. Starts are down 32.1% versus a year ago and off 57.1% from the peak in January 2006.
- Single-family starts fell 1.0% in May and are down 41.2% versus last year. Multiple-unit starts fell 8.0% in May after a spike of 18.1% in April.
- Starts increased in the Northeast but declined in every other major region.
- New building permits declined 1.3% in May to 969,000 units at an annual rate, but came in slightly above consensus expectations. Single-family permits declined 4.0% in May, are down 41.4% versus last year and 65.4% since the peak in September 2005.

**Implications:** Home building continues to decline but is probably getting very close to a bottom. The number of homes under construction is down 27.8% versus last year, the largest 12-month decline since 1980. Given this decline and the drop the year before, the level of housing construction is low enough that the industry can work off excess inventories – a necessary step toward a sustainable recovery. With housing starts near a bottom on a nationwide basis, there are many communities across the country where home building is already rebounding. That said, we continue to expect home prices to drop on a nationwide average basis through mid-2009, as the market continues to work off excess inventories. (See our November 27 piece, [“Seeing the Light at the End of the Housing Tunnel.”](#))



Housing Starts SAAR, thousands	Monthly % Ch.	May-08 Level	Apr-08 Level	Mar-08 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
<b>Housing Starts</b>	<b>-3.3%</b>	975	1008	988	990	1024	-32.1%
<b>Northeast</b>	<b>61.5%</b>	147	91	115	118	120	-10.9%
<b>Midwest</b>	<b>-25.0%</b>	123	164	135	141	145	-50.0%
<b>South</b>	<b>-4.4%</b>	479	501	515	498	525	-31.5%
<b>West</b>	<b>-10.3%</b>	226	252	223	234	234	-30.7%
<b>Single-Unit Starts</b>	<b>-1.0%</b>	674	681	711	689	720	-41.2%
<b>Multi-Unit Starts</b>	<b>-8.0%</b>	301	327	277	302	304	3.8%
<b>Building Permits</b>	<b>-1.3%</b>	969	982	932	961	1005	-36.3%
<b>Single-Unit Permits</b>	<b>-4.0%</b>	623	649	621	631	655	-41.4%

Source: U.S. Census Bureau