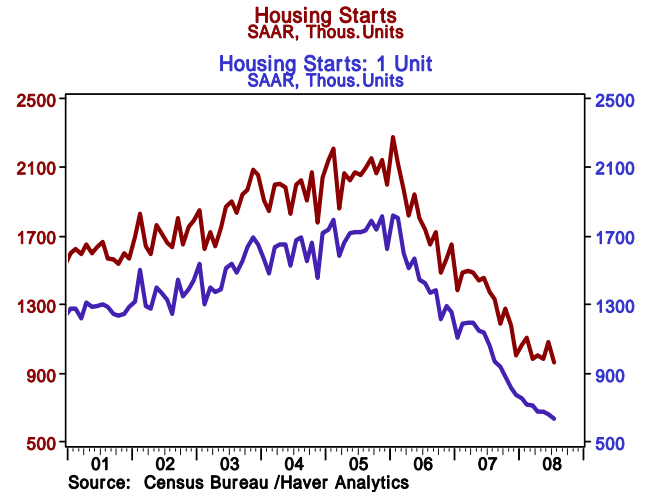


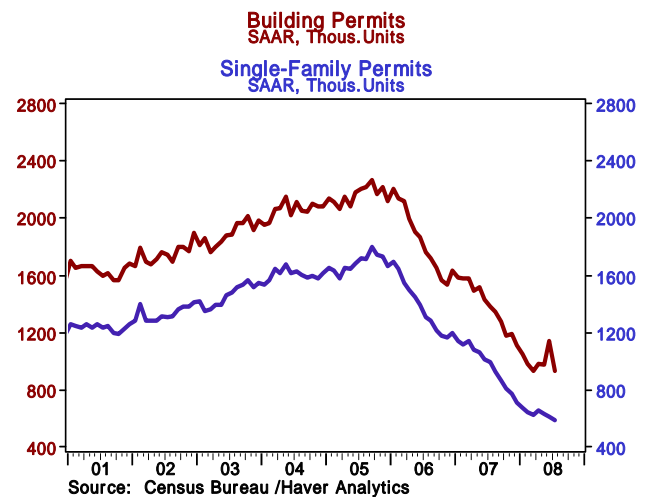
# JULY HOUSING STARTS

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- Housing starts declined 11.0% in July to 965,000 units at an annual rate, very close to the consensus expected 960,000 rate. Starts are down 29.6% versus a year ago and off 57.5% from the peak in January 2006.
- Most of the decline in starts in July was due to multiple-unit starts, which fell 23.6%. Single-family starts fell 2.9% in July and are down 39.2% versus last year.
- Starts declined rapidly in the Northeast and also fell in the South and West. Starts increased in the Midwest.
- New building permits fell 17.7% in July to 937,000 units at an annual rate, below the consensus expected rate of 970,000. Single-family permits declined 5.2% in July, are down 41.4% versus last year and 67.5% since the peak in September 2005.



**Implications:** Housing starts are still contracting but doing so at a slower rate than last year and earlier this year. In the past six months, single-family housing starts are down at a 27% annual rate. In the previous six-month period, these starts were down at nearly a 50% rate. Most of the drop in starts in July was due to an unusual decline in multiple-family units in the Northeast. As we discussed last month, New York City implemented a new construction code on July 1 and builders could escape the new tougher rules by starting construction in June. As a result, multiple unit starts spiked in June and then fell back to normal levels in July. There is more pain ahead in the housing sector. The number of homes under construction is likely to decline through year end and national average home prices still have about 5% further to drop by mid-2009. However, the level of home building is now low enough to consistently bring down inventories – a necessary step toward a sustainable national recovery rather than pockets of recovery in some cities around the country. We expect that by early 2009 housing will contribute positively to real GDP growth.



Housing Starts SAAR, thousands	Monthly % Ch.	Jul-08 Level	Jun-08 Level	May-08 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
<b>Housing Starts</b>	<b>-11.0%</b>	965	1084	982	1010	1022	-29.6%
<b>Northeast</b>	<b>-30.4%</b>	174	250	123	182	147	13.0%
<b>Midwest</b>	<b>10.0%</b>	154	140	139	144	148	-35.6%
<b>South</b>	<b>-8.2%</b>	447	487	500	478	505	-30.6%
<b>West</b>	<b>-8.2%</b>	190	207	220	206	222	-43.1%
<b>Single-Unit Starts</b>	<b>-2.9%</b>	641	660	682	661	683	-39.2%
<b>Multi-Unit Starts</b>	<b>-23.6%</b>	324	424	300	349	339	2.5%
<b>Building Permits</b>	<b>-17.7%</b>	937	1138	978	1018	991	-32.4%
<b>Single-Unit Permits</b>	<b>-5.2%</b>	584	616	635	612	625	-41.4%

Source: U.S. Census Bureau