

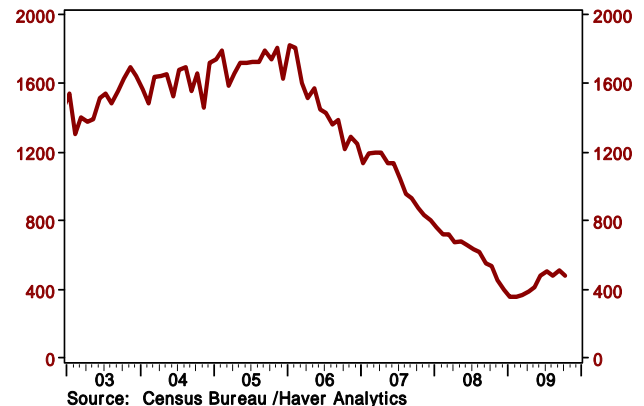
OCTOBER HOUSING STARTS

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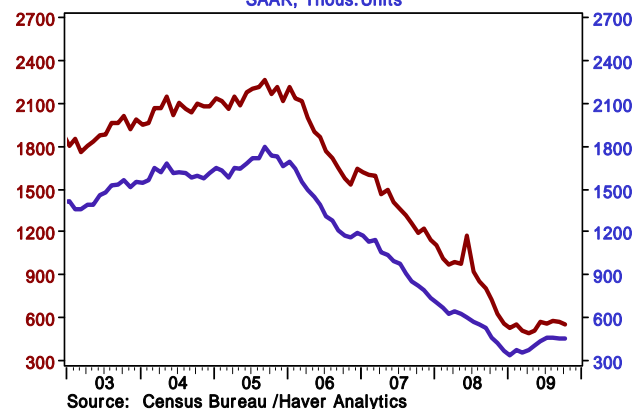
- Housing starts fell 10.6% in October to 529,000 units at an annual rate, well below the consensus expected pace of 600,000.
- Single-family starts declined 6.8% in October, but are still 33.3% higher than the January/February low. Multi-unit starts fell 34.6% in October to the lowest level in at least 50 years.
- Starts dropped in every major region of the country.
- New building permits declined 4.0% in October to 552,000 units at an annual rate, below the consensus expected pace of 580,000. Permits for single-family units were essentially unchanged.

Implications: Home starts fell in October, coming in well below consensus expected levels. However, weather may have played a crucial role in the decline. According to the National Climatic Data Center, this October was the wettest October on record going back to 1921. In fact, it was the wettest *for any month* going back to 1928. It was also the second coldest October since 1925. The weakest component of home construction is the multi-unit sector (apartment building), with both starts and building permits at record lows. Single-family home building tells a more nuanced story, even in the context of the abysmal weather in October. Starts gave back more than all the gains from last month, but building permits were essentially unchanged and single-family *completions* increased the most in more than a year. Overall home building increased in the third quarter of 2009 and, despite today's numbers, we anticipate another gain in Q4 and further, more powerful, gains in 2010-11. Normally, given population growth, fires/disasters, and knock-downs, the US needs to start about 1.6 million homes per year. At present, we are far below that rate of building as we continue to work off an excess inventory of about 1.5 million units. However, over the next few years the excess inventory will be eliminated, which means housing starts have to rise back to normal levels over the same time frame in order to prevent an eventual housing shortage.

Single Family Housing Starts
SAAR, Thous. Units



Building Permits
SAAR, Thous. Units
Single-Family Permits
SAAR, Thous. Units



Housing Starts SAAR, thousands	Monthly % Ch.	Oct-09 Level	Sep-09 Level	Aug-09 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-10.6%	529	592	581	567	573	-30.7%
Northeast	-18.8%	56	69	70	65	66	-26.3%
Midwest	-10.6%	93	104	106	101	100	-23.1%
South	-9.6%	272	301	279	284	283	-33.2%
West	-8.5%	108	118	126	117	124	-32.1%
Single-Unit Starts	-6.8%	476	511	481	489	477	-10.9%
Multi-Unit Starts	-34.6%	53	81	100	78	96	-76.9%
Building Permits	-4.0%	552	575	580	569	560	-24.3%
Single-Unit Permits	-0.2%	451	452	464	456	445	-4.0%

Source: U.S. Census Bureau

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