

Housing Starts **in February 2008**

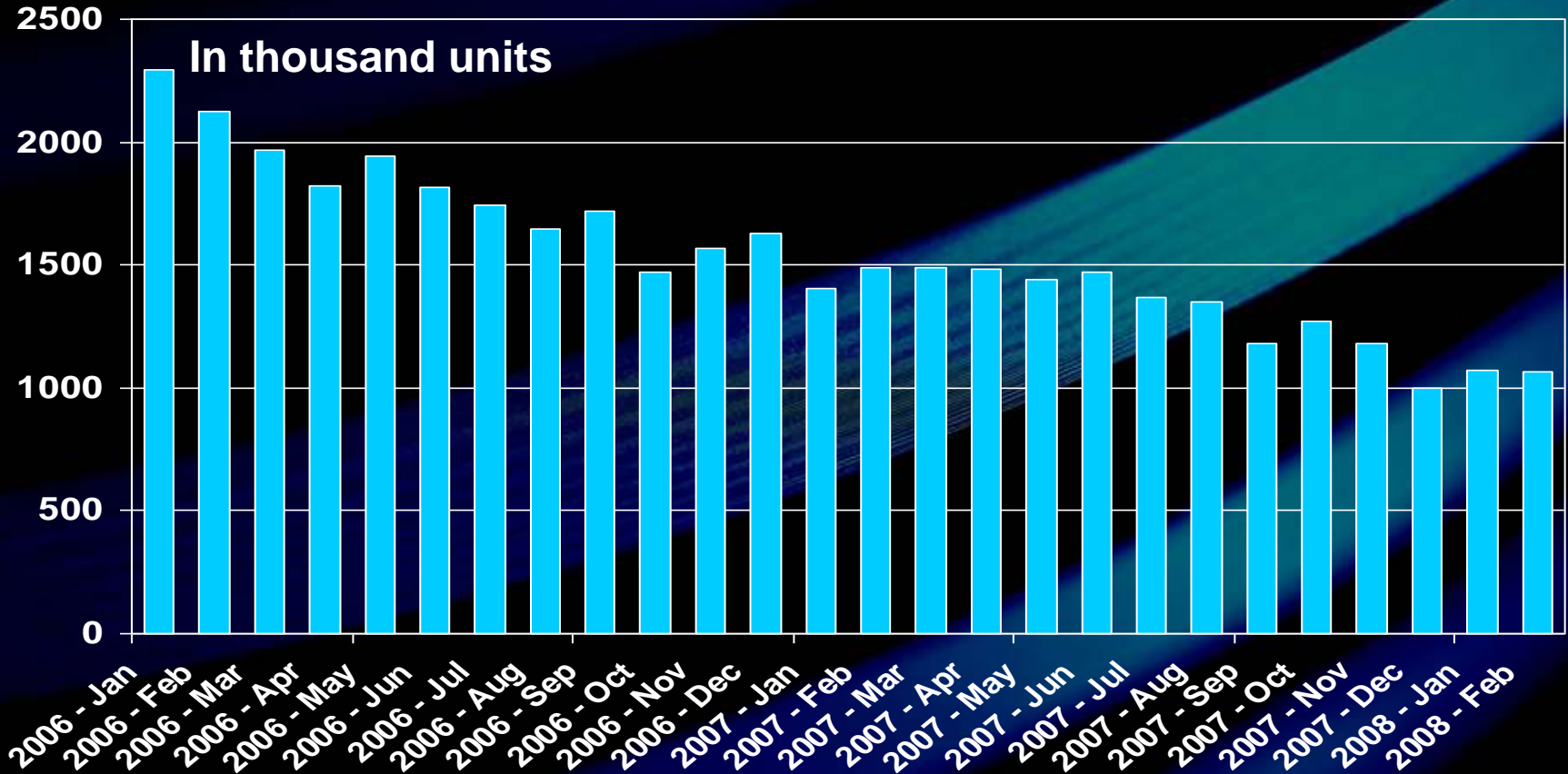
Analysis by George Ratiu

NAR Research

Data Released: 3-18-2008

Data Source: Census and HUD

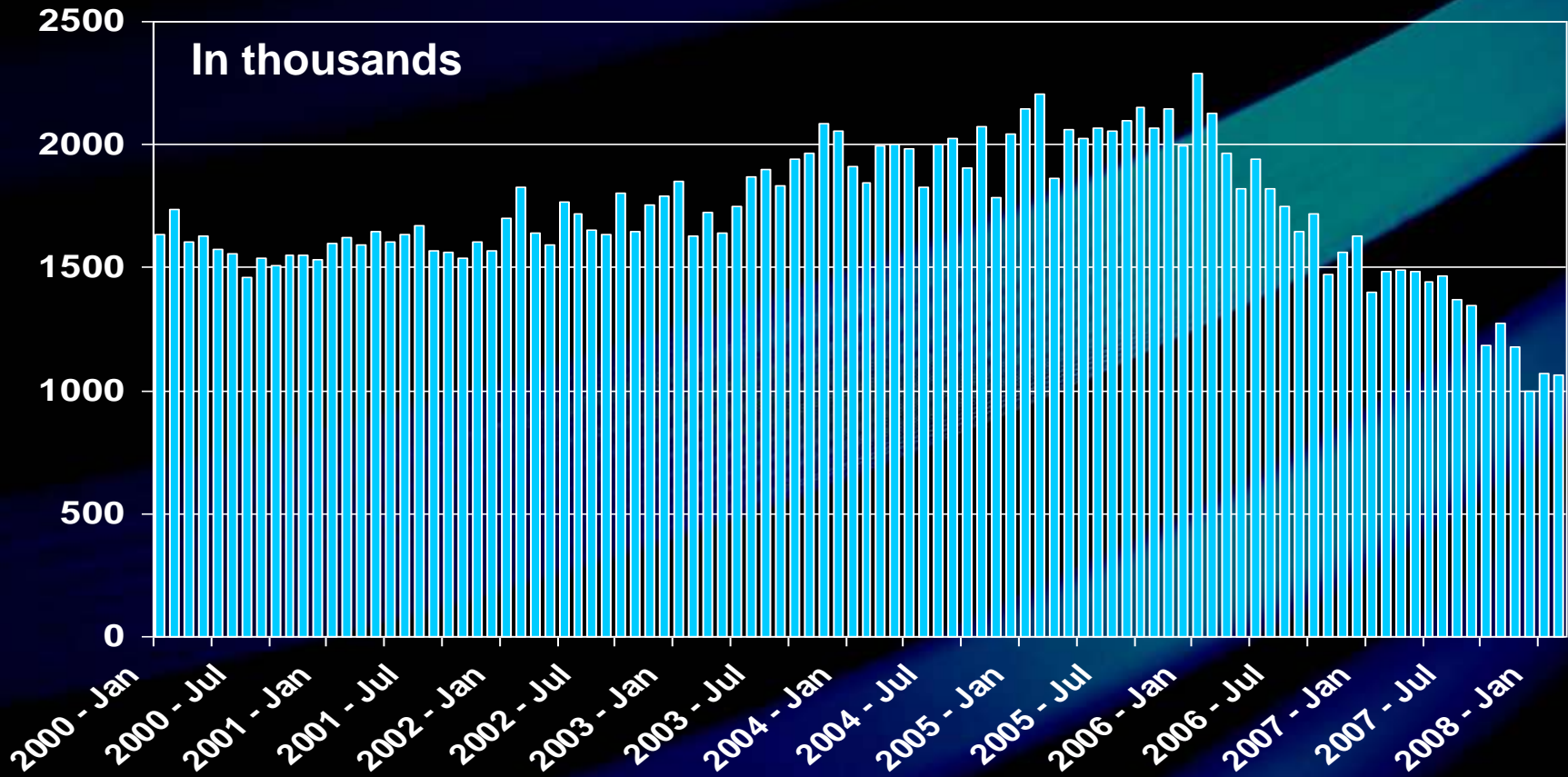
Monthly Housing Starts 2006 to Current



- Starts have been essentially unchanged in the past three months (after an upward revision for January).
- In February, they declined by only 0.6%. They are still down 28.4% from a year ago.
- Compared to 2005, the current activity has been cut by more than half.
- The gain was entirely in multifamily units. Single-family starts continue to fall.

Monthly Housing Starts

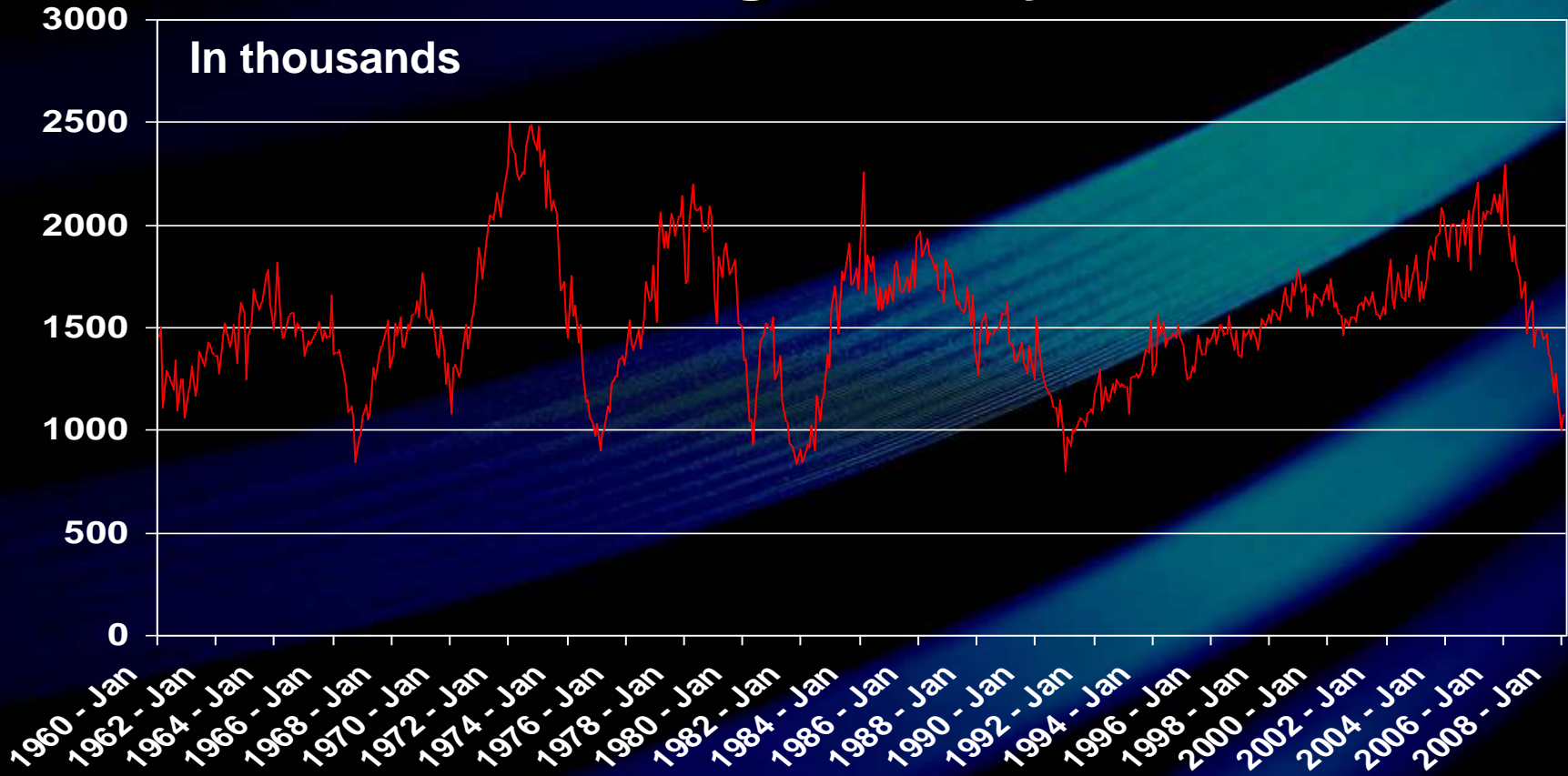
2000 to Current



- Steady rises during the market boom (with strongly rising home prices) from 2000 to 2005.
- Sharp declines in the past two years; declines are needed due to high inventory
- More cutbacks are encouraged to better help stabilize the housing market.

Monthly Housing Starts

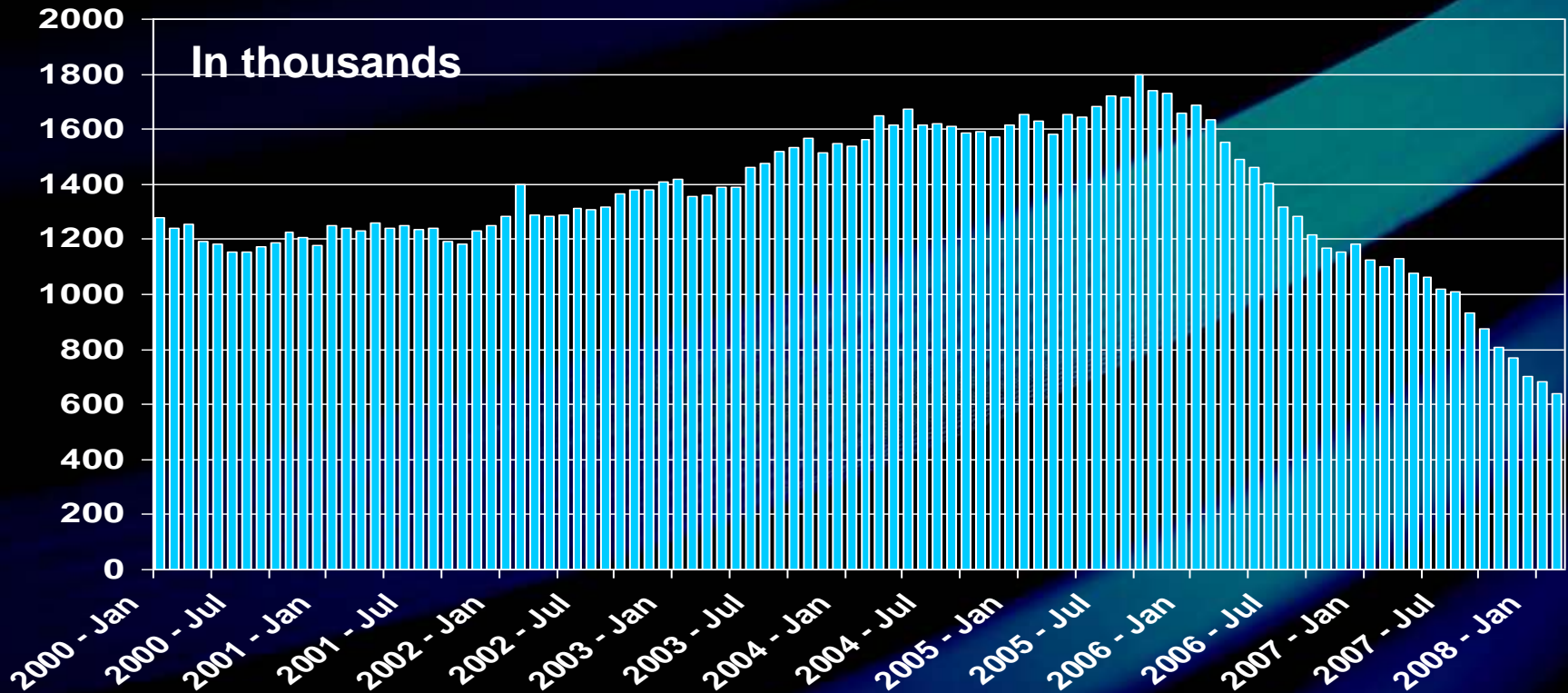
Long History



- Baby boomers were forming households in 1970s
- Declines in starts in the past were accompanied by rising interest rates
- The current decline is unique in that interest rates are at historic lows
- Recent slowdown in household formation to 707,000 is puzzling. Household formation generally rises by 1.2 million or higher.

Housing Permits for Single-family Units

2000 to Current



- Housing permits for single-family units – a leading indicator for future starts – are declining fast, helping to control inventory
- Decline in new home construction will, however, hold back GDP growth as job cuts will continue in the residential construction sector
- The latest figure of 639,000 is down 6.2% from January and 42% from a year ago.

Summary

- Total housing starts decreased 0.6% in the latest month
 - Single-family units fell to 707,000 from 758,000
 - Multifamily units rose to 331,000 from 289,000 over the one month period
- The multifamily units are bouncing back. Condo market is challenged, but apartments are doing fine because apartment rents have been rising 4% year-over-year.
- Housing permits, generally a reliable future indicator for housing starts, fell again on single-family units to 639,000 – the lowest since early 1990s.
- Regionally, housing starts for February 2008 compared to January 2008
 - Were down 27.7% in the Northeast
 - Were unchanged for the Midwest
 - Were up 3.9% in the South
 - Were up 5.1% in the West

Summary

- For the economy, a decline in construction activity hurts economic growth. However, for the housing market the cutbacks in production are needed in the current high inventory conditions. New home inventory on the market has been sliding down over the past year but still remains elevated. Further cutbacks are welcome to bring down inventory at which point home prices can strengthen. Rising home prices will lessen foreclosures.
- The forecast is for a continuing weakening in starts on single-family units through the end of 2008.