



Economics Group

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Solid Increase in Housing Starts in September

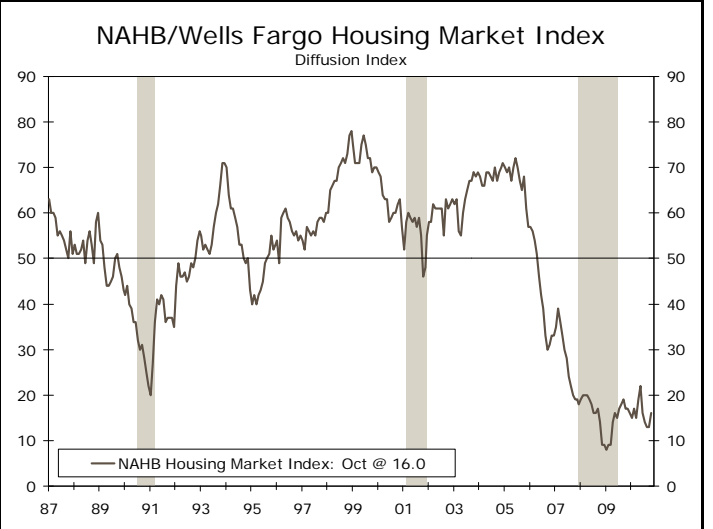
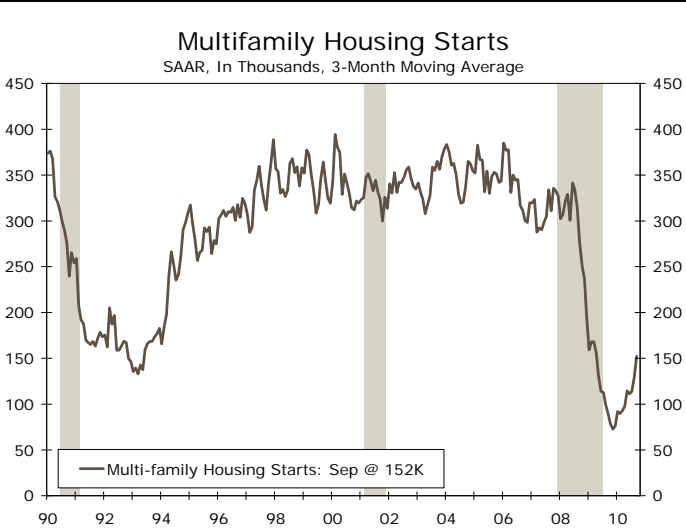
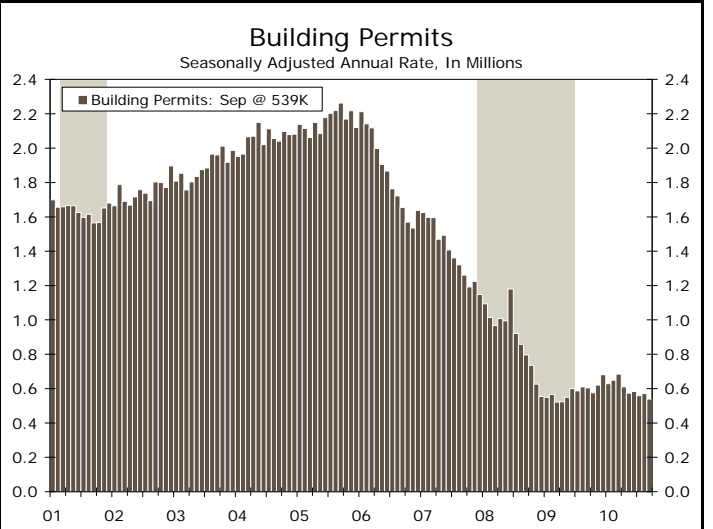
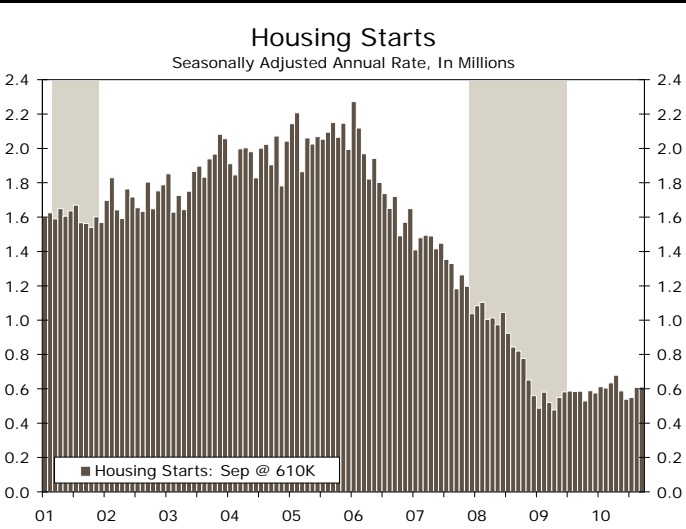
Housing starts rose 0.3 percent in September, which was well above expectations. Starts of single family homes increased 4.4 percent, while multi-family starts fell 9.7 percent. Single family permits rose 0.5 percent.

Single Family Starts Increased Two Months in a Row

- Housing starts unexpectedly rose in September to a 610K-unit pace from an upwardly revised 608K pace in August. Starts could linger close to current levels for the next few months, however, and will likely not break the one million unit mark until 2012. Multi-family starts fell 9.7 percent in September, which was likely payback from some of the gains in July and August. Multi-family permits fell 20.2 percent.

Builder Sentiment Showing Some Promise

- Single family permits increased 0.5 percent after five consecutive monthly declines. Starts have been running above permits for two straight months, which likely suggests some improvement is imminent. The National Association of Home Builders/Wells Fargo Housing Market Index increased in October, but remains at very depressed levels. While starts appear to be making progress, any recovery in housing will likely be agonizingly slow.



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