

DAILY GLOBAL COMMENTARY

Northern Trust
Global Economic Research
50 South LaSalle
Chicago, Illinois 60603
northerntrust.com

Asha G. Bangalore
agb3@ntrs.com

Plunge in Multi-Family Starts Conceals Small Gain of Single-Family Units
May 19, 2009

Housing starts fell 12.8% to an annual rate of 458,000, a new record low (see chart 1). Total housing starts have fallen 80% from the peak in January 2006. In April, multi-family starts plunged 46.1% and single-family starts advanced 2.8%. Single-family starts held steady in February and rose 0.3% in March (see chart 2). Starts of new single-family homes have declined each month during July 2007-January 2009, with the exception of a small increase in May 2008. The recent movements suggest that single-family starts appear to be establishing a bottom.

Chart 1
Housing Starts
SAAR, Thous.Units

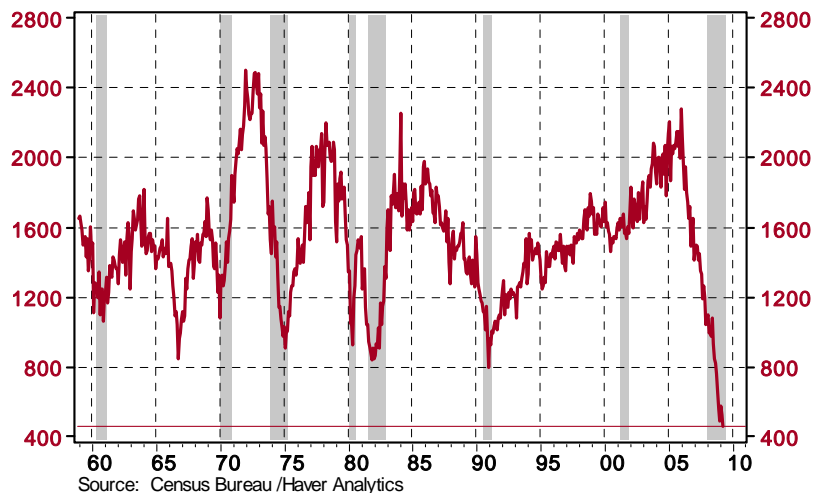
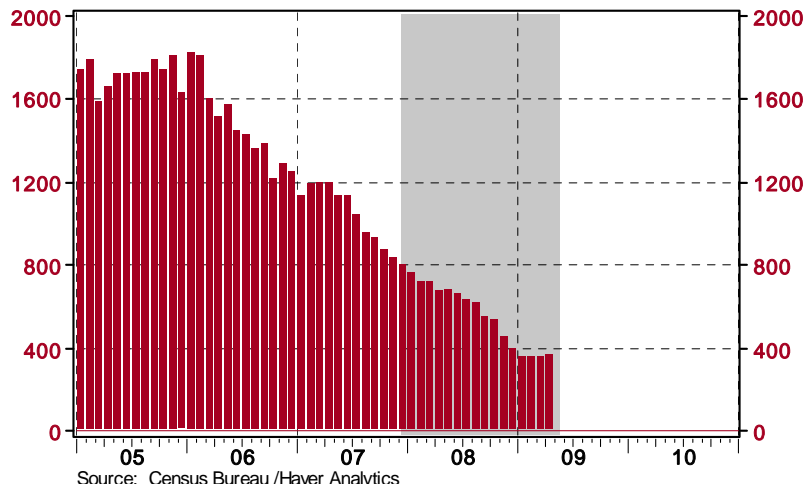


Chart 2
Housing Starts: 1 Unit
SAAR, Thous.Units



The opinions expressed herein are those of the author and do not necessarily represent the views of The Northern Trust Company. The Northern Trust Company does not warrant the accuracy or completeness of information contained herein, such information is subject to change and is not intended to influence your investment decisions.

At the same time, the elevated level of unsold new single-family homes (10.7-month supply in March, down from peak of 12.5-month supply in January) is a drag on new construction. The good news is that inventories of new unsold single-family homes appear to have peaked in January 2009 (see chart 3). The Housing Market Index of the National Association of Home Builders bottomed out in January and has risen in three out of the four months ended May (see chart 4).

Chart 3
New 1-Family Houses For Sale: Months Supply
 SA, Ratio

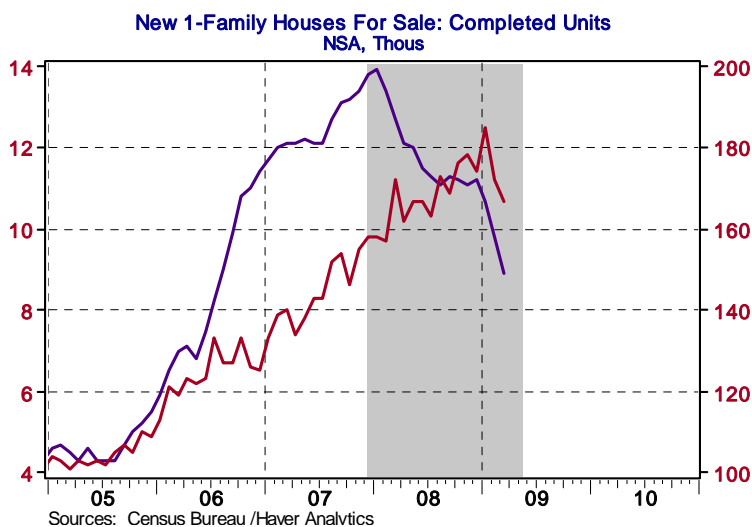
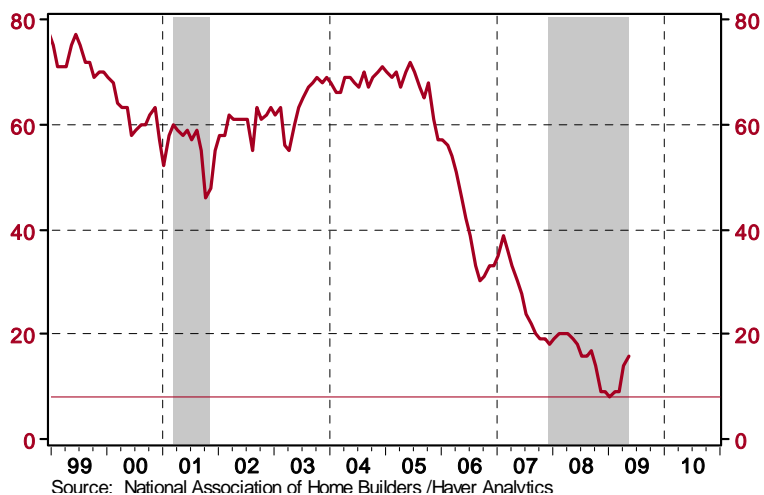


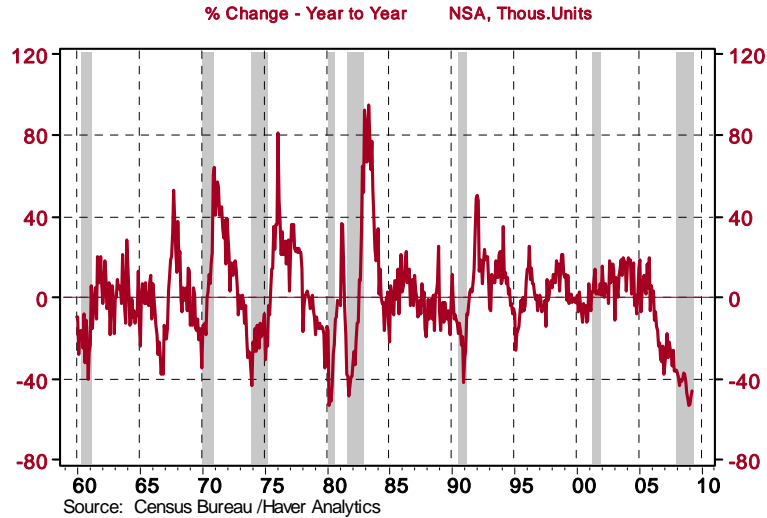
Chart 4
Home Builders: Housing Market Index (Composite)
 SA, All Good = 100



On a year-to-year basis, starts of new single-family homes fell 46% in April, which is a deceleration after the 53.2% drop in January (see chart 5).

The opinions expressed herein are those of the author and do not necessarily represent the views of The Northern Trust Company. The Northern Trust Company does not warrant the accuracy or completeness of information contained herein, such information is subject to change and is not intended to influence your investment decisions.

Chart 5
Housing Starts: 1 Unit

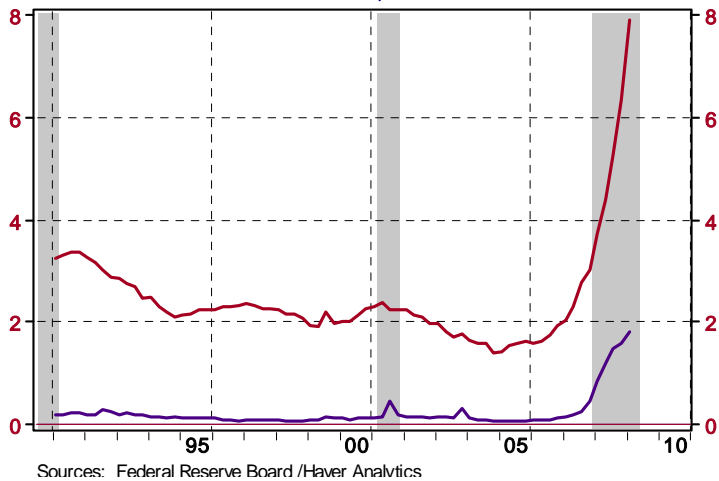


Pulling together the different pieces of news from the housing market, the housing starts report for April leans on the side of optimism because the pace of decline could have accelerated further. Instead, it appears that there is a moderating trend in place with support from other reports. The key to a complete recovery is, of course, a turnaround in employment conditions. The April employment report also contained various indicators that showed that employment conditions are not deteriorating further. In the first quarter, residential loan delinquency and charge-off rates reached new highs (see chart 6) which is not supportive of cautious optimism about housing market conditions. In sum, recent housing sector reports suggest that there is room for optimism, with the caveat that the evidence needs more confirmation before the coast is clear.

Chart 6

Loan Delinquency Rate: Residential Real Estate Loans: All Comm'l Banks
SA,%

Loan Charge-Off Rate: Residential Real Estate Loans: All Comm'l Banks
SAAR,%



The opinions expressed herein are those of the author and do not necessarily represent the views of The Northern Trust Company. The Northern Trust Company does not warrant the accuracy or completeness of information contained herein, such information is subject to change and is not intended to influence your investment decisions.

From other details of today's report, housing starts rose 42.5% in the West but dropped in the other three regions of the country. Permit extensions dropped 3.3% in April, reflecting a 19.9% decline in multi-family starts and a 3.6% increase in the number of permits issued for single-family starts.

Housing Starts Across Business Cycles

Recession	Peak - Housing Starts				Trough - Housing Starts				Change - Peak to Trough	
	Date	Total Starts	Date	Single-family	Date	Total Starts	Date	Single-family	Total Starts	Single-family
Apr. 60-Feb. 61	Feb-59	1667	Jan-59	1336	Dec-60	1063	Dec-60	841	-36.23%	-37.05%
Dec. 69-Nov.70	Jan-69	1769	Jan-69	967	Jan-70	1085	Jan-70	596	-38.67%	-38.37%
Nov. 73-Mar.75	Oct-72	2485	Sep-72	1399	Feb-75	904	Feb-75	667	-63.62%	-52.32%
Jan.80-Jul. 80	Apr-78	2197	Apr-78	1517	May-80	927	Mar-80	633	-57.81%	-58.27%
Jul.81-Nov. 82	Jan-81	1547	Sep-80	1019	Jan-82	843	Oct-81	523	-45.51%	-48.68%
Jul. 90-Mar.91	Jan-89	1621	Jan-89	1149	Jan-91	798	Jan-91	604	-50.77%	-47.43%
Mar. 01-Nov. 01	Feb-00	1737	Dec-99	1375	Oct-01	1540	Oct-01	1240	-11.34%	-9.82%
Dec. 2007 - ?	Jan-06	2273	Jan-06	1823	Jan-09	488	Jan-09	357	-78.53%	-80.42%
					Apr-09	458	Apr-09	368	-79.85%	-79.81%

The opinions expressed herein are those of the author and do not necessarily represent the views of The Northern Trust Company. The Northern Trust Company does not warrant the accuracy or completeness of information contained herein, such information is subject to change and is not intended to influence your investment decisions.