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THE PRESIDENT HAS SEEN. *dy*

COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

December 17, 1974

ALAN GREENSPAN, CHAIRMAN  
WILLIAM J. FELLNER  
GARY L. SEEVERS

*WJF*

MEMORANDUM FOR THE PRESIDENT

Subject: November Housing Starts

Seasonally adjusted housing starts declined by 11 percent from October to November. The annual rate of starts -- 990,000 units -- was the lowest since December 1966. The decline was concentrated in multi-family rather than single-family units.

In last month's housing memo it was suggested that while a temporary dip in starts could not be ruled out for November or December, housing starts are bottoming out this quarter with a sustained countercyclical rise expected to begin in the Spring of next year. There is nothing in the November figures that would change this outlook. Optional reading is attached.

*William J. Fellner*

William J. Fellner  
Member

*[Handwritten signature]*

Alan Greenspan  
Chairman



## Supplementary Material

Excluding interest credited on passbook accounts, savings and loan associations gained \$1.1 billion of savings deposits in November. On a seasonally unadjusted basis, this gain is the highest since March of 1974.

Effective November 21, the FHA-VA ceiling rate was lowered from 9-1/2 percent to 9 percent, even though the effective interest rates on conventional home mortgages continued to rise slightly in November. However, because rates on commitments to lend 4 months from now have come down towards the 9-1/2 percent level of rates registered on conventional home mortgages actually made, the rise in mortgage interest rates is clearly coming to an end. Anticipating this development, the interest rate on the \$2.2 billion of commitment authority remaining under the conventional GNMA Tandem program announced on October 18 was reduced from 8-1/2 percent to 8-1/4 percent early this month.

New private housing units authorized continue to be extremely depressed so that the stock of unused permits is continuing to shrink rapidly. This, as well as the unresolved problems of the real estate investment trusts that supplied a substantial part of the construction financing for multi-family projects in 1973 indicate that housing as a whole may continue depressed for another few months. However, the increasing ability of the thrift institutions to attract funds suggests that a recovery of single-family starts will get underway early in 1975.