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*Central Files*

COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

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

October 16, 1974

*GRF*

MEMORANDUM FOR THE PRESIDENT

Subject: September Housing Starts

Seasonally adjusted housing starts changed little from August to September. The annual rate of private housing starts -- 1,120,000 units -- remained depressed and is unlikely to recover significantly before the end of the year. Because of the turnaround in financial markets in recent weeks and the improved prospect for savings inflows into the thrift institutions, the outlook is better for next year. Optional reading is attached.

These data are for release at 2:00 p. m. Thursday, October 17, 1974.

*William J. Fellner*

William J. Fellner  
Member

*[Handwritten signature]*

Alan Greenspan  
Chairman



## Supplementary Material

If the decline in short-term interest rates holds up, inflows of funds into the thrift institutions should prove helpful to residential construction activity. However, the return of savings to the thrifts in the fourth quarter of 1974 will not raise starts until 1975 because the liquidity position of the thrift institutions is unusually low and the volume of Federal Home Loan Bank advances outstanding unusually high for the S&L's. Interest rates on mortgage loans actually made have continued to rise in September although commitment rates on mortgages to be issued in the future have begun to decline from well above 10 percent towards 10 percent.

All this suggests that the recovery in starts will not gather momentum until Spring. Though the new conventional Tandem program authorizing \$3 billion of below-market interest rate mortgage commitments may help somewhat, the outlook remains bleak for the balance of this year. In fact, building permits issued in 14,000 permit-issuing places amounted to a mere 825,000 units in September. They have not been this low since at least December 1966, when the number of permit-issuing places was only 12,000.

