Housing Starts Fall in August

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The Census Bureau reported that housing starts fell 30,000 units in August to an annualized 571,000 homes, building on the decline in July [1]. More importantly, it fell below the psychological threshold of 600,000 again, with the market unable to sustain its growth above that point. The decrease was mainly due to a sharp drop-off in multi-family housing starts, which were down from 178,000 in July to 154,000 in August. Single-family housing also fell, but by a smaller amount (from 423,000 to 417,000).

The regional picture was mixed, with fewer starts in the Northeast and South being offset by gains in the Midwest and West. On a year-over-year basis, only the South has seen increases in housing starts.

Building permits, however, were up 3.2 percent in August, reversing last month's decline. Both single-family and multi-family permitting grew; however, multi-family housing permits rose at a faster clip (up 4.5 percent).

These figures were consistent with new Housing Market Index (HMI) data from the National Association of Home Builders (NAHB) and Wells Fargo [2]. The HMI has been virtually flat for much of the past year within the 13 to 17 range. In September, it fell from 15 to 14, mostly unchanged from previous months. Regionally, the index fell everywhere except for the Midwest, and both the current and expected sales volume over the next six months remains weak.

NAHB Chief Economist David Crowe said, "The fact that the HMI continues to hover within such a narrow, low range reflects builders' awareness that many consumers are simply unwilling or unable to move forward with a home purchase in today's uncertain economic climate. While some bright spots are beginning to emerge in about a dozen select metro areas, the broader picture remains fairly bleak due to the weak economy and job market."

Overall, these numbers show a housing market that remains depressed. As I noted in this McClatchy News report yesterday [3], "… housing presents both cyclical and structural problems for manufacturers." In addition to dampening demand for housing materials and household furnishings from manufacturing companies, the larger macroeconomy is still dealing with a fragile housing situation where upside-down mortgages and foreclosures are hurting people's "financial stability and preventing some [individuals] from moving to other regions where they might be more prosperous."

Chad Moutray is chief economist, National Association of Manufacturers.

SOURCE [4]

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[1] http://www.census.gov/const/newresconst.pdf
[2] http://www.nahb.com/news_details.aspx?newsID=13446
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