

Housing Starts

Housing starts increased again in February, from an upwardly revised January number, bringing the seasonal adjusted annual rate (SAAR) to a thirty year high of 2.2 million. The increase was led by the single family sector which set another record at 1.775 million (SAAR). Permits, an indicator of future activity, were down 2.7%.

U.S. Housing Starts			
Millions - Seasonally Adjusted Annual Rate (SAAR)			
U.S. Totals	Feb	Jan (rev.)	% Change
Starts	2.195	2.183	0.5%
Permits	2.074	2.132	-2.7%
Single Family			
Starts	1.775	1.770	0.3%
Permits	1.621	1.640	-1.2%
Multi Family			
Starts	0.420	0.413	1.7%
Permits	0.453	0.492	-7.9%
Starts and Permits By Region:			
Midwest Starts	0.193	0.162	19.1%
Midwest Permits	0.188	0.196	-4.1%
Southwest Starts	0.406	0.339	20.4%
Southwest Permits	0.388	0.352	10.2%
West Starts	1.042	1.134	-8.1%
West Permits	0.963	1.038	-7.2%
Northwest Starts	0.552	0.548	0.7%
Northwest Permits	0.535	0.546	-2.0%

Analysis & Outlook: The housing market is starting 2005 with a bang, with the January-February average 11% higher than the fourth quarter 2004 average on an annualized basis (SAAR). The FED has raised short term rates 150 basis points in the past 18 months although long term rates have not moved upward. Long term rates have actually come down a bit since the FED began raising short term rates—something we would not ordinarily expect. Here is some rationale: Long term rates are impacted more by inflation expectations, and because there is a lot of excess capacity in world markets, companies find it difficult to pass on cost increases, so prices (CPI) have been tame. In addition, the job market, although getting better, still has slack which means less upward pressure on labor costs, another traditional source of inflation. Finally, the U.S. is getting some help from foreign investors, in keeping the USD from falling too rapidly, which would cause interest rates to increase more rapidly (another source of inflation). The current account deficit, at almost 6% of GDP, would normally push the dollar down even more, and this would be inflationary by making all those imports we love, more expensive. So, we can thank foreign investors for their help in keeping long term interest rates attractive. This also supports consumer spending, which drives the US economy forward and continues to make it attractive for foreign investments. The key to this scenario is continued faith by foreigners in the U.S. economy. If you see this confidence starting to erode, you need to keep your eye on interest rates, and act accordingly. Energy costs and the dollar remain the prevalent economic threats while terrorism in the main non-economic threat. In summary, housing fundamentals remain very strong. **SBC**

This housing starts report is provided to **SBC** on a monthly basis by **SBC Economic Environment** columnist Al Schuler. Visit www.sbcmag.info for more economic news.



Builder Banter

Builders See Smart Homes as Smart Choices for Homeowners

According to a survey of more than 1,000 homebuilders conducted by home center retailer Lowe's during the 2005 International Builders' Show in Orlando, the reality of the "smart home" is here and now.

The survey is an indicator that high-tech homes are going mainstream in the housing sector. Nearly two-thirds of the builders surveyed said they already construct homes with an eye on "smart home" technology as it exists now and how it may yet evolve. Ordering an oven to pre-heat or adjusting thermostats remotely from the office or car will become commonplace, along with dozens if not hundreds of other in-home possibilities.

Homeowners are also becoming more aware of the possibilities. A little over half of the builders said their customers ask for advanced information technology now. The majority of builders see smart homes as having already arrived or just a few years away from catching on across the housing spectrum. Only 14 percent of those surveyed think the concept is five or more years away from widespread acceptance. To learn more, read the complete article on HousingZone.com. [Source: Toolbase E-News, February 28, 2005]

OSHA Clarifies Fall Protection Requirements for Working from Exterior Wall Top Plate

Construction workers are not permitted to walk on, or work from, the exterior wall top plate when installing roof trusses or erecting rafters, according to a recent letter from the Occupational Safety and Health Administration (OSHA) clarifying its residential construction fall protection requirements as stated in the OSHA directive - STD 3-0.1A, Interim Fall Protection Compliance Guidelines for Residential Construction.

STD 3-0.1A outlines alternative procedures to conventional fall protection for certain types of residential construction activities and establishes the procedures for installing roof trusses. According to those installation procedures, the first two trusses must be set from ladders, and workers setting the trusses must then climb on the interior top plate, when it is available, to secure their peaks. The directive adds that workers remaining on the top plate must use the previously stabilized trusses or rafters as support while the other trusses or rafters are erected.

It should be noted that several states operate their own state OSHA programs, and may have adopted construction standards that are different from federal standards. Those who live in a state that has its own State Occupational Safety and Health Plan should contact their local program administrator for further information on the construction standards applicable in their state. [Source: NBN Online, February 2005]

Builders Remain Largely Upbeat In April

Strong demand for new single-family homes is helping buoy builder confidence as the

Housing Market Index 2004-05 (HMI)											
The HMI is a weighted, seasonally adjusted statistic derived from ratings for present single family sales, single family sales in the next 8 months and buyers traffic. The first two components are measured on a scale of "good" "fair" and "poor," and the last one is measured on a scale of "high" "average" and "low." A rating of 50 indicates that the number of positive or good responses received from the builders is about the same as the number of negative or poor responses. Ratings higher than 50 indicate more positive or good responses.											
May	June	July	Aug	Sept	Oct	Nov	Dec	Jan05	Feb	Mar	Apr
69	68	67	70	67	69	70	71	70	69	70(r)	67

Source: National Association of Home Builders

Adventures in Advocacy

Continued from page 76

That's why talking about yourself and using talking points to discuss everything else is so important. It allows you to avoid the three T's: tangents, trivia and tall-tales. Tangents are the statements and stories you may find coming out of your mouth if you don't know what you're talking about or what point you're trying to make. Talking points and the handbook are your single greatest allies in avoiding such tangents.

Trivia are those bits of information or facts you share that don't really support your statements or give strength to your argument. Throwing trivia into the discussion can obscure the good facts you are supplying, or in a worst-case scenario, confuse the lawmaker. Again, talking points and the handbook can help you avoid trivia as well.

Finally, tall-tales are the stories you find yourself telling a group of people at a social function for entertainment value. This isn't a comment on the truth of the story, just the proper time and place for them to be told. As a rule of thumb, unless you are a long-time friend of the lawmaker, these should be avoided at all costs.

If you avoid the three T's, you will drastically improve the odds of scheduling a future meeting with your lawmaker, and that your message will be understood and possibly acted upon. In that regard, it's never a bad idea to follow up a meeting with the fourth T: the thank you note! **SBC**

market heads into the late spring selling season, according to the latest National Association of Home Builders/Wells Fargo Housing Market Index (HMI). (See chart.)

The April HMI edged down by three points to 67, but remained within the strong 67-71 confidence range that builders have held throughout the past 14 months.

"Builders continue to express confidence in the overall housing market and expect sales to remain strong during then next six months," said NAHB President Dave Wilson, a custom home builder from Ketchum, ID.

"Favorable market conditions and the appeal of homeownership continue to fuel demand," said NAHB Chief Economist David Seiders. "Many builders are reporting higher lot prices and some difficulty in finding available land, both symptoms of strong demand for new homes. NAHB expects both home sales and house values to remain healthy in coming months," he added. [Source: National Association of Home Builders Press Release, April 18, 2005]

Health Care Top Concern of Small Businesses

Health-care costs rank as the most critical issue concerning small business owners, according to a recent survey conducted by the National Federation of Independent Businesses (NFIB) and Wells Fargo. Nearly two-thirds of respondents to the 2004 survey listed health-care costs as "critical." NFIB is supporting calls for federal legislation to allow small business to aggregate under an association to get health benefits similar to those now achieved by large companies.

New OSHA Web Site

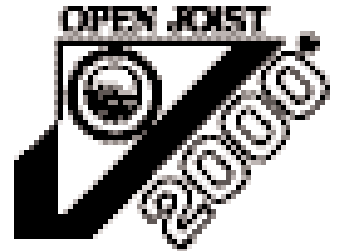
OSHA has launched a web site containing information and tips related to the safety and health of residential construction workers. Visit www.osha.gov/SLTC/residential/ for more information. [SOURCE: *The Journal of Light Construction*, Nov. 2004, P. 20, www.jlconline.com]

Keeping Up on Code Changes

There is no completely easy answer for people interested in keeping up on code adoptions, however, one fairly accurate and complete site for current implementations is www.firstsourceonl.com/index.asp. It requires a login registration (which is free) so that they can send you email, but otherwise it offers a great deal of information regarding the current status of building codes and links to state, county and municipal resources. **SBC**

Email ideas for this department to builderbanter@sbcmag.info.

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