

## Housing Starts

Housing starts rebounded 11% in April to 2.038 million (SAAR). The increase was lead by the multi-family sector—up 35%—while single-family was up 6.3%. Permits, an indicator of future activity, were up 5.3%.

U.S. Housing Starts			
Millions - Seasonally Adjusted Annual Rate (SAAR)			
U.S. Totals	Apr	Mar (rev.)	% Change
Starts	2.038	1.836	11.0%
Permits	2.129	2.021	5.3%
<b>Single Family</b>			
Starts	1.635	1.538	6.3%
Permits	1.634	1.552	5.3%
<b>Multi Family</b>			
Starts	0.403	0.298	35.2%
Permits	0.495	0.469	5.5%
Starts and Permits By Region:			
NE Starts	0.175	0.213	-17.8%
NE Permits	0.193	0.184	4.9%
SE Starts	0.326	0.307	6.2%
SE Permits	0.382	0.349	9.5%
SW Starts	1.045	0.836	25.0%
SW Permits	1.022	0.961	6.3%
NW Starts	0.492	0.480	2.5%
NW Permits	0.532	0.527	0.9%

**Analysis & Outlook:** The increase in housing activity was stronger than expected, following the plunge in March. There are three regional stories here: (1) the robust activity in the South where single-family was up 21% while falling everywhere else; (2) the surge in multi-family activity, particularly in the MW and West; and (3) overall weakness in the NE with reductions in SF (-9%) and overall (-18%). Housing fundamentals remain solid with long term mortgages still below 6% (5.77% the week ending May 13) and the job market continues to gain momentum—both important in determining affordability. Major economic concerns include inflation, which continues to increase at the wholesale level. The twin deficits—budget and trade—are going to continue to weigh on the dollar, although the dollar has rallied for the past three weeks and now are at a three month high against the Euro. China is expected to let the Yuan appreciate modestly later this year. That is a two edged sword, however, as it will help the dollar, but will make Chinese imports more expensive. With an aim to promote stable pricing (the FED's mission), most people expect the FED to continue raising rates through 2005, with the FED funds rate finishing the year near 4%.

**Summary:** The housing market is expected to remain robust through the rest of this year, but inflation and dollar problems will push mortgage rates upward through 2006 and this means the slowdown in housing could in escalate 2006. Single-family will slow the most with multi-family enjoying a modest rebound. Higher energy costs will also slow the economy as consumers are forced to pay more for gasoline, heating and cooling—this will siphon spending away from other goods and services. However, the economy is quite resilient. As business conditions improve, business investment is picking up, offsetting some of the weakness in consumer spending. **SBC**

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



## Builder Banter

### Builders' Tip: Cutting Engineered Joists

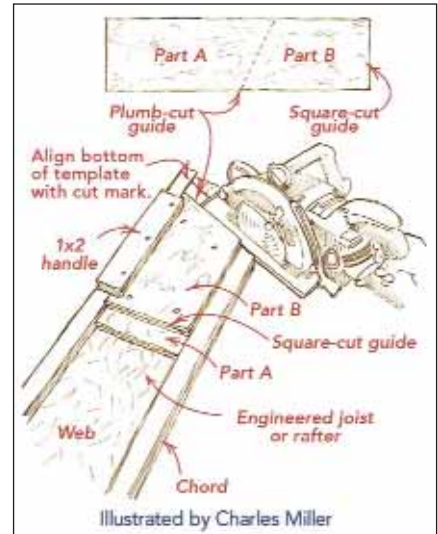
Engineered joists and rafters—which have a cross section akin to an I-beam—present a wrinkle to the carpenter cross-cutting them with a circular saw.

Because the plane of the web lies below that of the thicker chords, the saw cannot glide across an unbroken surface as it makes a cut. The solution is to make a template that will fit on the web and guide the saw.

To make a template for cutting these materials:

- Start by ripping about three feet of 5/8-inch or 3/4-inch plywood or oriented strand board to a width slightly less than that of the web. This piece should fit easily on the web between two chords, creating a flush surface across the I-joist.
- Next, make a square cut on one end of the stock and mark my rafter's plumb cut a foot or so back from the square cut. This step divides the stock into two unequal Parts, A and B, as shown at the top of the accompanying diagram.
- After cutting along the mark, screw or nail Part B to the top of Part A. The saw's table rides along the edge of the top piece, guiding the cut. The bottom piece supports the saw's table.
- The bottom piece is longer than the top, so the first cut that you make also trims Part A.
- That will allow you to register the edge of the template against the cut mark for accurate positioning.
- Finish the template by screwing a 1x2 handle to one of its edges.

[Source: NBN Online, April 4, 2005]



Tips & Techniques provided by *Fine Homebuilding*.

### Builder Confidence Stays Strong & Steady In May

The nation's home builders continue to maintain the high level of confidence that they have expressed for more than 16 months, according to the latest National Association of Home Builders/Wells Fargo Housing Market Index (HMI) released on May 16.

Robust buyer demand for new single-family homes, brought on by continued low mortgage rates and an improving job market, nudged builder confidence up three points to 70 on a seasonally adjusted annual basis, close to the high side of the strong 67-71 confidence range

### 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 6 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.

June	July	Aug	Sept	Oct	Nov	Dec	Jan05	Feb	Mar	Apr	May
68	67	70	67	69	70	71	70	69	70	67	70

Source: National Association of Home Builders

that builders have held for more than a year.

"Builders have seen an uptick in traffic and sales brought on by improving economic conditions and mortgage rates that continue to remain at affordable levels. They have confidence in the overall housing market and expect sales to stay strong for the next six months," said NAHB President Dave Wilson, a custom home builder from Ketchum, Idaho.

"Builders obviously continue to see strong buyer demand for single-family homes," said NAHB Chief Economist David Seiders. "With unsold inventories in good shape, housing starts should be solid in coming months." [SOURCE: NAHB Press Release, May 16, 2005, [www.nahb.org](http://www.nahb.org)]

### SWP Wall Sheathing Reduces Callbacks, Builders Report

Some 60 percent of builders who fully sheath walls with structural wood panels believe doing so can contribute significantly to reducing customer callbacks, according to a study completed recently for APA - The Engineered Wood Association by the National Association of Home Builders Research Center. The study, based on a survey of builders throughout the nation, reinforces an APA marketing strategy built around the long-term performance advantages of plywood and OSB wall sheathing. Survey respondents indicated they believe structural wood panel wall sheathing reduces callbacks of various kinds, including especially drywall and stucco cracking. Some 88 percent of respondents who fully sheath their homes indicated racking strength under high wind and seismic loads is a distinct advantage of structural wood panel wall sheathing, and about two-thirds said plywood and OSB wall sheathing reduces building code problems. [SOURCE: APA web site, [www.apawood.org/mgt\\_rpt/story.cfm?storyid=59](http://www.apawood.org/mgt_rpt/story.cfm?storyid=59)]

### NAHB Releases New Version of Award-Winning Teaching CD-ROM

Educators from across the country are getting their wish this spring as the National Association of Home Builders (NAHB) launches the new, much anticipated, Network Version 2.0 of the innovative home building program, Building Homes of Our Own. Akin to "SIM City," Building Homes of Our Own uses home building to teach key concepts in middle and high school math, science, civics, technology and language arts classes. Already reaching more than 1.2 million students and teachers nationwide, the new network version permits users to save unlimited sessions to a network drive, allowing greater flexibility in the school network environment.

"The success we've had with Building Homes of Our Own is simply

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unprecedented," said NAHB president Dave Wilson, a custom home builder from Ketchum, Idaho. "Launching Version 2.0 reaffirms our commitment to providing leading-edge teaching resources to our communities and gives teachers the new version they've been asking for."

Building Homes of Our Own also introduces students to the basics of homeownership, industry careers and financial responsibility as well as motivates students using interactive gaming technology to teach key concepts in traditional subjects. "The program is so popular that students regularly contact us for a program to use at home," Wilson added. [SOURCE: NAHB Press Release, May 11, 2005, [www.nahb.org](http://www.nahb.org)] **SBC**

Email ideas for this department to [builderbanter@sbcmag.info](mailto:builderbanter@sbcmag.info).



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