

Housing Starts

Housing starts remained strong, but unchanged in June, holding at 2.004 million (SAAR). The single-family sector was down 2.5%, but multi-family was up almost 15%. Permits, an indicator of future activity, were up 2.4%.

U.S. Housing Starts			
Millions - Seasonally Adjusted Annual Rate (SAAR)			
U.S. Totals	June	May (rev.)	% Change
Starts	2.004	2.004	0.0%
Permits	2.111	2.062	2.4%
Single Family			
Starts	1.667	1.709	-2.5%
Permits	1.649	1.528	1.3%
Multi Family			
Starts	0.337	0.295	14.2%
Permits	0.462	0.434	6.5%
Starts and Permits By Region:			
NE Starts	0.185	0.186	-0.5%
NE Permits	0.209	0.191	9.4%
SE Starts	0.335	0.381	-12.1%
SE Permits	0.360	0.354	1.7%
W Starts	1.003	0.900	11.4%
W Permits	0.961	1.011	-4.9%
M Starts	0.481	0.537	-10.4%
M Permits	0.522	0.549	-4.9%

Analysis & Outlook: The housing market remains strong thanks largely to attractive mortgages (30 year rate still below 6%) and an improving job market. The market is slowing, albeit slowly, and coming down from very lofty levels. As noted by C. Chan (Dismal Scientist, www.economy.com), starts in the 2nd quarter are off 13% on an annualized basis from the very strong 1st quarter, however, they are still averaging two million units, annually. Short term, housing is expected to remain healthy as long as interest rates remain below 6% and inventories remain low. Most analysts believe that rates would need to approach 7% in order to slow housing appreciably, which isn't expected until late 2006 or early 2007. Inventories of new and existing homes for sale remain historically low at 4.2 and 4.3 months supply respectively. This will insure that if the economy does slow, housing prices should not be as vulnerable. Concerns remain the same: the dollar and housing prices. The dollar has been performing well lately (vs. the Euro and Yen), and that has encouraged Japanese and Chinese central banks to continue buying dollar denominated assets—that isn't expected to change in the near future. Inflation shouldn't become a serious problem either thanks to excess manufacturing capacity in cheap labor countries. The other issue, housing prices, is getting more and more press. The concern is that prices are increasing at an unsustainable rate. The consensus is that the "bubble" will deflate rather than pop. The housing market is expected to remain strong through the rest of this year, improving slightly on last year's 1.956 million units, reaching almost 2 million starts. Modest inflation and dollar problems will push mortgage rates up through 2006, which means the housing market will pull back. Single-family will slow the most due to affordability issues with entry level buyers. Higher mortgage rates will shift some prospective single-family buyers to the rental market. **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 Grapple with Sky-High Regulatory Costs

With concerns about affordability growing in many of the nation's major housing markets, NAHB Vice President and Treasurer Brian Catalde and California Building Industry Association (CBIA) President Steve Doyle, recently called on local governments to reduce the impact fees, zoning constraints, construction code requirements and other regulatory burdens on builders and developers that are driving up the cost of housing.

Catalde and Doyle said local governments should approve more medium- and high-density housing, plan better for growth, streamline the zoning and approval processes and spread the costs of government services more equitably among all their citizens rather than singling out new-home buyers.

"We are seeing millions and millions of middle-income families being priced out of the market for homeownership all across the country," said Catalde, a builder based in Playa del Rey in Southern California.

Catalde noted that four factors—the cost of doing business; cost shifting such as impact fees and inclusionary zoning; production constraints such as large-lot zoning, setback requirements, urban growth boundaries and habitat areas and open space requirements; and the cost of regulation—have escalated the cost of housing.

"You've got hundreds of regulatory costs and impact fees. There are so many layers of regulations that it's all pretty fuzzy until you've found your way through the maze," Catalde said. "Ultimately, it's the home buyer who gets stuck paying the check."

Catalde mapped out four meaningful steps that local governments can tackle immediately in order to make housing more affordable. These include:

- Passing more notice-and-opportunity to repair (NOR) legislation. Catalde said aggressive litigation tactics are currently driving up home prices and discouraging construction of much-needed multifamily housing. NOR legislation would help control aggressive litigation.
- Spreading the costs of local government services fairly among all who use them, rather than having new-home owners footing most of the bill.
- Changing zoning and development regulations so that land-use policies have less impact on housing prices.
- Applying cost-benefit analysis to all new regulations.

"Government at all levels needs to be more disciplined. If the cost to society is greater than the benefit, then the government needs to change or reconsider that regulation," Catalde said. [SOURCE: *Nation's Building News*, June 6, 2005]

Builder Confidence Holds Up Well in July

Builder confidence in the market for newly built single-family homes barely budged in July,

Housing Market Index 2003-04 (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.

Aug	Sep	Oct	Nov	Dec	Jan 04	Feb	Mar	Apr	May	June
71	68	72	70	70	69	64	64	69	69	67

Source: National Association of Home Builders

edging down two points from an upwardly revised reading in June to a level that matches the strong index average for the year as a whole, according to the latest National Association of Home Builders/Wells Fargo Housing Market Index (HMI), released on July 18.

"Builders have every reason to remain confident in the single-family marketplace," said NAHB President Dave Wilson, a custom home builder from Ketchum, ID. "While mortgage rates have risen slightly in recent weeks, financing conditions remain very favorable to families considering homeownership, and demand still outpaces the supply of new homes in many markets." [SOURCE: NAHB Press Release, 7/18/05, www.nahb.org]

OSHA Compliance Assistance Web Page Updated

The Occupational Safety and Health Administration (OSHA) recently announced updates to its Compliance Assistance Web page. The page provides a public gateway to OSHA resources that can help home builders and other employers meet their responsibility to provide their workers with a safe and healthful workplace. Among the new features:

- A Hispanic Outreach module has been added to the Compliance Assistance Quick Start to help English-speaking or bilingual employers identify Spanish-language outreach resources for Spanish-speaking workers. Quick Start introduces employers and employees, especially those at new or small businesses, to the compliance assistance resources that are available on OSHA's Web site.
- The Highlights box on the Compliance Assistance page now features New Compliance Assistance Products. This feature lists new or updated fact sheets, publications, Safety and Health Information Bulletins, Web pages and other recently issued OSHA compliance assistance products.
- A new Hispanic outreach success story features efforts by Rinker Materials Corporation to redesign its training materials to communicate more visually with Spanish-speaking employees.
- At the request of the Department of Labor, the Highlights box also includes a link to the department's Web Site Customer Satisfaction Survey to provide feedback on the effectiveness of the Compliance Assistance page. [Source: *Nation's Building News* 2005] **SBC**

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it is reviewed for errors, and new facts are rarely introduced in these proceedings.

In states with a three-tier system, the one state supreme court has enormous discretion over its workload. The "loser" in an appeals court case generally does not have the automatic right to appeal to the supreme court. Certain criteria must exist such as the existence of conflicting legal precedent from different courts of appeal within the state or what is referred to as a "case of first impression," where a legal issue has otherwise not been reviewed by the supreme court of a particular state.

Whether this is true or not, the fact remains there are many court systems and thousands of courts, all of which can potentially exercise a considerable influence over how laws are interpreted and enforced, including those laws applicable to component manufacturers. In the next issue of **SBC Magazine**, this column will explore the ways in which this judicial authority can specifically impact you and your business. **SBC**

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