

Housing Starts

Housing starts remained strong, but unchanged in July, holding at 2.04 million (SAAR). The single-family sector was flat (1.711 million SAAR), while multi-family was down 3.2%. Permits were up 1.6%, suggesting that the near term outlook for starts is good.

U.S. Housing Starts

Millions - Seasonally Adjusted Annual Rate (SAAR)

| U.S. Totals | July | June (rev.) | % Change |
|--------------------------------------|-------|-------------|----------|
| Starts | 2.042 | 2.045 | -0.1% |
| Permits | 2.167 | 2.132 | 1.6% |
| Single Family | | | |
| Starts | 1.711 | 1.703 | 0.5% |
| Permits | 1.686 | 1.653 | 2.0% |
| Multi Family | | | |
| Starts | 0.331 | 0.342 | -3.2% |
| Permits | 0.481 | 0.479 | 0.4% |
| Starts and Permits By Region: | | | |
| NE | | | |
| Starts | 0.196 | 0.184 | 6.5% |
| Permits | 0.196 | 0.213 | -8.0% |
| MW | | | |
| Starts | 0.371 | 0.340 | 9.1% |
| Permits | 0.379 | 0.361 | 5.0% |
| S | | | |
| Starts | 0.980 | 1.036 | -5.4% |
| Permits | 1.011 | 1.032 | -2.0% |
| W | | | |
| Starts | 0.495 | 0.485 | 2.1% |
| Permits | 0.581 | 0.526 | 10.5% |

Analysis & Outlook: The housing market remains strong and is expected to remain so for the rest of 2005. Interest rates remain very attractive although they are inching upward. The market remains at lofty levels due a combination of strong demand and innovative financing (new mortgage products that allow buyers to have lower monthly payments in the near term), plus rapid price appreciation in some markets is encouraging some prospective buyers to "jump in" before rates get too high. According to a recent report by the National Association of Realtors (NAR - <http://www.realtor.org/research/index.html>), housing markets remain frothy in some regions. Nationally, NAR reports that prices have increased at a 13.6% pace, year over year—a very healthy rate that is skewed by even higher rates in some regions. Concerns remain the same as last month—the weakening dollar (weaker dollar is inflationary and puts upward pressure on interest rates) and rapid house price appreciation (pushing prices out of reach for a growing number of potential buyers). In addition, higher energy prices could hurt the U.S. economy in at least two ways—higher inflation pushing up interest rates, and the "added tax" burden on consumer spending. Today, with the rapid growth and growing size of the economies in China and India, the demand for energy is outstripping supplies, and the long term prognosis for oil prices is much higher than what it would have been absent the stellar performance of these two economies. In summary, the housing market is expected to remain strong through the rest of 2005, but modest inflation and dollar problems will push mortgage rates upward through 2006 and this means the housing market is expected to pull back sometime in 2006. Single-family will probably slow the most due to affordability problems with entry level buyers as higher mortgage rates 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

OSHA to Conduct Continued Inspections in Midwest Region

The Occupational Safety and Health Administration (OSHA) announced the continuation of its region-wide special emphasis program aimed at reducing employee injuries and deaths in the construction industry resulting from falls, contact with overhead power lines, and the use of scaffolds. Charles E. Adkins, CIH, OSHA regional administrator, explained that an increasing number of contractors are conducting construction activities on weekends under the assumption that OSHA staff would not be working. Within the past seven years, 15 percent of the fall, scaffold or overhead power line fatalities occurred on weekends and in 2004 half of the fatalities occurred on Saturdays. "This year, our agency will randomly select three months in which to conduct inspections of active construction worksites operating on weekends that have fall hazards, employee exposure to overhead power lines, and/or scaffolding hazards observed," Adkins said. Employers are responsible for providing a safe and healthful workplace for their employees and OSHA is determined to ensure this is happening, even on the weekend. [Source: OSHA Regional News Release, 2005]

STUDY: Wednesday as Dangerous as Monday

It's been common thought that Mondays and Fridays are the most dangerous days in the construction week. In theory, on those days, people are tired from or looking ahead to the weekend and therefore are more likely to let their guard down. In a new study of data collected by the U.S. Department of Labor on 707 fatalities in 2003, Monday and Wednesday has an almost identical number of fatalities, 148 and 146, respectively. And, oddly enough, Friday had the least number of weekday deaths with 96. [Source: *Frame Building News*, June 2005, p. 6]

Builder Confidence Remains Strong

Builder confidence in the market for new single-family homes edged down somewhat in August but remained well within the elevated range that has characterized the past 17 months, according to the latest National Association of Home Builders/Wells Fargo Housing Market Index (HMI). "The August HMI of 67, which is down three points from July, as well as from August of last year, indicates that builders still remain upbeat and confident in the housing market," said NAHB President Dave Wilson, a custom home builder from Ketchum, ID. "Demand for new homes is still strong, and even though mortgage interest rates have edged up in recent weeks, they are still very affordable...."

"The August HMI is consistent with the ratings that we have seen thus far this year, and builder attitudes suggest that new home sales and starts will continue to be brisk in the coming months," said David Seiders, NAHB's chief economist. "However, builders are concerned about the high cost of land and shortages of lots for home building, particularly in the West and in parts of the South and the Northeast. In the Midwest, builders are concerned about local economic conditions and job losses, particularly in the auto industry, and that is reflected in the confidence measures for that region of the country." [SOURCE: NAHB Press Release, 8/15/05, www.nahb.org] **SBC**

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.

| Sept | Oct | Nov | Dec | Jan05 | Feb | Mar | Apr | May | June | July | Aug |
|------|-----|-----|-----|-------|-----|-----|-----|-----|------|------|-----|
| 67 | 69 | 70 | 71 | 70 | 69 | 70 | 67 | 70 | 72 | 70 | 67 |

Source: National Association of Home Builders

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