

Housing Starts

Housing starts bounced back in November, increasing 5.3% to 2.123 million (SAAR). The single-family sector was also strong, increasing 4.8% to 1.808 million SAAR, while multi-family was up almost 8%. Permits increased 2.5%, suggesting continued strength in the near term.

U.S. Housing Starts

Millions - Seasonally Adjusted Annual Rate (SAAR)

U.S. Totals	Nov	Oct (rev.)	% Change
Starts	2.123	2.017	5.3%
Permits	2.155	2.103	2.5%
Single Family			
Starts	1.808	1.725	4.8%
Permits	1.710	1.707	0.2%
Multi Family			
Starts	0.315	0.292	7.9%
Permits	0.445	0.396	12.4%
Starts and Permits By Region:			
NE			
Starts	0.181	0.163	11.0%
Permits	0.198	0.189	4.8%
MW			
Starts	0.373	0.332	12.3%
Permits	0.373	0.369	1.1%
S			
Starts	0.989	1.002	-1.3%
Permits	1.018	1.009	0.9%
W			
Starts	0.580	0.520	11.5%
Permits	0.566	0.536	5.6%

Analysis & Outlook: As mentioned in last month's report, most of the analysts have concluded that the housing market has peaked, but nobody knows how fast it will cool. As seen in the November data, there is still plenty of life left in the housing market. This is remarkable considering that the 30-year mortgage is up to 6.3%, still at historically low levels, but almost 100 basis points higher than a year ago. There are some concerns regarding this housing market: (1) inventory of new homes for sale is almost 500,000, while existing homes for sale is approaching 3 million units—both are records; and (2) housing affordability is becoming a problem—NAR's housing affordability index fell to a decade-low 116 in October (i.e., the nation's typical household had 116 percent of the income needed to purchase a home at median existing home prices). And, as mentioned in previous reports, the twin deficits (budget and trade) are getting worse. The good news is that foreigners keep supporting our spending habits (by buying T-Bills, etc.), and as long as this continues, the dollar should be alright. If foreign investment stops, interest rates will have to increase to keep the dollar from sliding too fast, which would of course impact housing.

A recent report suggests housing is not as overvalued as many would have us believe (see **Support Docs** at www.sbcmag.info). If you consider inflation adjusted prices on a per square foot basis, the real price per square foot today is about the same as 50 years ago. Although there are other issues to consider (e.g., income growth/quality of homes today vs. 50 years ago) it appears that maybe this bubble issue is a bit over rated. Some parts of the country have experienced more rapid price increases and are more vulnerable to a slowdown, but the nation as a whole looks pretty solid. **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

Steel Work, Roofing Rank among Most Dangerous Jobs

The Bureau of Labor Statistics recently released the 2004 national census of fatal occupational injuries. Of the ten most dangerous jobs, structural iron and steel workers ranked fourth and roofers came in seventh. Although 2004 was one of the safest years on record, the total 5,703 fatal injuries occurring on the job increased slightly from 2003, when 5,575 fatalities were recorded. The 2004 census also indicated that the number of fatal injuries for Hispanic and older workers rose substantially. [Source: *Rural Builder*, Oct. 2005, p. 10]

Drug Use in the Construction Industry

According to the U.S. Department of Labor's Substance Abuse Information Database web site, (www.said.dol.gov), a federal government survey showed that among full-time construction workers between the ages of 18 and 49, more than 12 percent reported illicit drug use during the month before the survey was conducted; almost 21 percent reported illicit drug use during the previous year. One California-based contracting company asked 180 employees to volunteer for a drug test. Of the 80 volunteers, 24 percent tested positive for one or more illegal drugs (primarily marijuana and cocaine). Workers who abuse substances tend to be less productive, more likely to be involved in workplace confrontations and violence, unreliable, and steal from their employers and others at a higher rate than their non-using co-workers. Safety on the jobsite is also a top concern for employers dealing with drug-using employees. According to a report from the National Safety Council, users are not the only ones affected by their on the job drug abuse. In fact, 80 percent of those injured in "serious" drug-related accidents at work are not drug-abusing employees but innocent co-workers and others.

Solution: Drug and alcohol testing has proved highly effective in deterring substance abuse and identifying workers who need help. Testing is legal in every state, although a handful of states regulate it. Rapid-result, on-site testing has become a popular alternative to traditional lab-based testing, especially for safety-sensitive industries such as the construction industry. A construction company can significantly reduce the time it takes to conduct a test by using rapid-result testing. The results are available within minutes and, depending on the product, rapid-result testing can be as accurate as the screening technologies used in laboratories. In addition, most rapid-result testing devices cost much less than a lab-based test. [Source: *Professional Roofing*, Nov. 2005, p. 25]

Builder Sentiment Cools Further In December

Confidence of single-family home builders slid further in December from its summer peak, yet remained well within the positive range, according to the National Association of Home Builders/Wells Fargo Housing Market Index (HMI) for December. The overall HMI declined four points from a slightly revised November number to 57, while the component measuring builder expectations for future sales held firm at 65.

"Many builders sense some tapering off of single-family buyer demand, but remain reasonably con-

Housing Market Index 2005 (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.

Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
70	69	70	67	70	72	70	67	65	68	61	57

Source: National Association of Home Builders

fidant in the ongoing strength of their markets," said NAHB President Dave Wilson, a custom home builder from Ketchum, ID. "They obviously are reacting to higher interest rates and energy costs, along with some buyer resistance to high house prices."

"As expected, the housing market appears to be coming off the recent record pace of home sales," said NAHB Chief Economist David Seiders. "Our surveys indicate that three out of every four builders are experiencing some buyer resistance to current home prices, and many are offering certain concessions to buyers in order to help maintain sales volume. NAHB's forecast continues to anticipate an orderly cooling down process for single-family sales and production in 2006." [Source: NAHB press release, 12/19/05, www.nahb.org.]

Agriculture Buildings Growing, Other Trends Develop

Farm building trends are changing. Smaller farms have to expand in order to keep up, and with agriculture operations growing every day, the need for efficiency is crucial. Not only are farm buildings increasing in size but also in complexity. They are no longer just for the animals: they often include offices and living quarters and tend to be more aesthetically pleasing than ever before.

Another trend involves farmers themselves. Many have enough knowledge to act as their own general contractor, allowing them to save a significant time and money investment. Therefore, construction companies are often hired solely for the construction portion of a job.

Many construction companies find it beneficial to be flexible and willing to construct farm buildings; when commercial construction is slow, farm construction can supplement commercial building activity. And because commercial and agricultural building is very similar, crews that work on commercial jobs can just as easily do farm projects. Although they are similar, agricultural facilities do have special needs because animals can be rough on a building, so the materials must be extra resistant to moisture, mold and rust. [Source: *Rural Builder*, Oct. 2005, p. 32] **SBC**

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

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