

## Housing Starts

Housing starts continued their downward trend in April, falling 7.4 percent to 1.849 million (SAAR). Single-family starts fell 5.6 percent to 1.535 million (SAAR). Permits were also down, but a bit more modestly at 5.4 percent for starts and 4 percent for single-family.

### U.S. Housing Starts

Millions - Seasonally Adjusted Annual Rate (SAAR)

U.S. Totals	Apr	Mar(rev.)	% Change	
Starts	1.849	1.996	-7.4%	
Permits	1.984	2.097	-5.4%	
Single Family				
Starts	1.535	1.626	-5.6%	
Permits	1.502	1.565	-4.0%	
Multi Family				
Starts	0.314	0.370	-15.1%	
Permits	0.482	0.532	-9.4%	
Starts and Permits By Region:				
NE	Starts	0.191	0.175	9.1%
	Permits	0.189	0.209	-9.6%
MW	Starts	0.349	0.300	16.3%
	Permits	0.296	0.340	-12.9%
S	Starts	0.863	1.027	-16.0%
	Permits	0.994	1.045	-4.9%
W	Starts	0.446	0.494	-9.7%
	Permits	0.505	0.503	0.4%

**Analysis & Outlook:** Housing activity continues to trend modestly downward. It appears that markets are simply returning to more sustainable levels that are supported by basic demographic forces (estimated to be 1.7 - 1.9 million for conventional housing). We are still at the upper end of that range, but we're certainly getting closer to what most analysts would call "sustainable." In that respect, the fixed rate mortgage, although moving up to 6.58 percent, remains attractive by historical standards. The job picture continues to improve with the unemployment rate dropping below 5 percent and incomes are still increasing faster than inflation. The recent PPI report tells us that "core inflation" (excluding food and energy) remains "tame." Inflation should remain relatively tame; however, tighter labor markets and stronger manufacturing activity is becoming a growing concern with the Fed. Industrial production continues to strengthen with capacity utilization reaching 81.9 percent for all industry groups combined and 80.8 percent for the manufacturing sector—these are the highest rates since mid-2000. The latest National Assoc. of Realtors report indicates that existing home price growth is slowing in many metro areas. First quarter median prices were up 10.3 percent, year over year, for the U.S.; however, this was skewed by the 12 percent increase in the West with the rest of the country averaging a more modest 6.5 percent. An additional cooling sign is that both the inventory of new homes and existing homes is at a 5.5 month supply at current sale rates. In summary, this is still a solid housing market that is simply correcting to more sustainable levels, in the opinion of most analysts. Continue to watch inflation, however, as tightening labor markets, high energy and commodity prices, and a dollar that continues to weaken, will keep the Fed vigilant. **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

### Report Shows Use of Cordless Tools Decreases Accidents

Using cordless tools on jobsites reduces slips, trips and falls, according to a report from the National Council on Compensation Insurance. According to the report, "cordless tools...reduce the incidences of tripping over cords [and] contribute to decreased frequency of accidents."

"Without a doubt, cordless tools do help reduce trips and falls, entanglements, and electrocution injuries," says Mark Kinsey of PKG Insurance Associates. "Additionally, we believe it would make sense for the insurance industry to take this under consideration when writing insurance policies." [Source: *Rural Builder*, March 2006, p12]

### Technology Turns Contaminated Sediment into Useful Product

The Environmental Protection Agency (EPA) is developing new technologies that can turn contaminated river and harbor sediments into useful products, such as building materials or soil for landscaping. According to a recent press release, one technology uses water under high pressure and biodegradable detergents to strip away contaminants and leave behind soil that can be blended with compost or yard waste to produce high quality top soil. Other uses could include construction-grade cement, lightweight aggregate, composite bricks and structural fill. Another technology heats up sediment to 2600° F and blends it with cement. The technologies are part of a demonstration program to decontaminate dredged materials from the Port of New York and New Jersey. The program is being funded and implemented by EPA and the New Jersey Department of Transportation (NJDOT), with the ultimate goal of creating a self-sustaining industry that uses treated dredged sediments as building material. [Source: Toolbase E-News, [www.toolbase.org](http://www.toolbase.org)]

### Builder Confidence Declines In May

Rising mortgage rates, deepening affordability issues and the retreat of investors/speculators from the marketplace are prompting single-family home builders to further adjust their perspectives on the new-home market, according to the National Association of Home Builders/Wells Fargo Housing Market Index (HMI) for May, released on May 15. The HMI declined six points from an upwardly revised reading in the previous month to hit 45 for the latest report, its lowest mark since mid-1995.

"Based on historical experience, particularly the 1994-1995 episode, the pattern of movement in the HMI is not inconsistent with the orderly cooling-down process we're projecting for home sales and single-family housing starts in 2006," said NAHB Chief Economist David Seiders. "We expect new-home sales to be off by 12 percent from the record posted in 2005. Single-family starts, supported by large builder backlogs of unfilled orders and reconstruction in the wake of last year's record-breaking hurricane season, should be down by about 7 percent from the 2005 record."

The decline in builder confidence was broad-based and registered in every region this month. [Source: NAHB Press Release, 5/15/06, [www.nahb.org](http://www.nahb.org)]**SBC**

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

### Housing Market Index 2005-06 (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	Sept	Oct	Nov	Dec	Jan06	Feb	Mar	Apr	May	June	July
67	65	68	61	57	57	56	54	51	46(r)	42	39

Source: National Association of Home Builders

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6300 Enterprise Lane • Suite 200 • Madison, WI 53719  
608/310-6706 phone • 608/271-7006 fax  
[www.sbcmag.info](http://www.sbcmag.info) • [admgr@sbcmag.info](mailto:admgr@sbcmag.info)