

Housing Starts

October housing starts retreated by a larger than expected amount, falling 14.6 percent to 1.486 million (SAAR). Single family starts were down almost 16 percent to 1.177 million (SAAR). 2.1 percent respectively. Permits, a good indicator of what may happen in the next two to three months, fell 6.3 percent.

U.S. Housing Starts Millions - Seasonally Adjusted Annual Rate (SAAR)

U.S. Totals	Oct	Sept(rev.)	% Change
Starts	1.486	1.740	-14.6%
Permits	1.535	1.638	-6.3%
Single Family			
Starts	1.177	1.400	-15.9%
Permits	1.173	1.219	-3.8%
Multi Family			
Starts	0.309	0.340	-9.1%
Permits	0.362	0.419	-13.6%
Starts and Permits By Region:			
NE			
Starts	0.165	0.126	31.0%
Permits	0.160	0.164	-2.4%
MW			
Starts	0.242	0.274	-11.7%
Permits	0.242	0.259	-6.6%
S			
Starts	0.705	0.958	-26.4%
Permits	0.781	0.818	-4.5%
W			
Starts	0.374	0.382	-2.1%
Permits	0.352	0.397	-11.3%

Analysis & Outlook: Builders need to pare down inventories, and that means cutting back on housing starts. So far this year, starts are down 11% compared with the first ten months of 2005. In addition, there are a record number of existing homes on the market, and that is forcing builders to be even more aggressive in reducing inventories for new homes. Remember, 2005 was the best year ever in terms of total square feet of new residential construction. This was due to the high percentage of single family (SF) starts (83% vs. 55% in the 1970s) and the increasing size of SF homes (2,400 SF in 2005 vs. about 1,600 SF in the '70s). The main concern for 2007 is whether the housing correction will drag the economy into a recession. In my opinion, the answer is no for a number of reasons: (1) Consumer spending remains relatively strong and the job market remains healthy—this is key to consumer confidence and spending; (2) while interest rates are about 100 basis points higher than the 40 year lows reached during 2004-05, long-term rates have actually receded in the past several months; (3) the economy is becoming better balanced as stronger non-residential construction and business spending are compensating for lower residential investment; (4) the world economy is doing fine, so this should benefit U.S. exports; (5) inflation, as measured by PPI and CPI, is stabilizing despite the gyrations caused by fluctuating energy prices, which should keep the Fed happy and on the sidelines for awhile; (6) and, in my opinion, housing is simply undergoing a much needed "correction." As affordability fell in response to higher rates and exorbitant house prices, sales dropped and inventories increased to record levels. Lower prices for both new homes and existing homes will help bring inventories into better balance, this will lower prices, which in turn spur demand, and the cycle starts all over again. How long for this process to take place is the question. My guess is the inventories will be pared down to manageable levels sometime in 2007 and prices will stabilize, followed by the beginning of a housing turnaround by early 2008. Expectations will have to come down to more realistic levels—that is part of the adjustment process. **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

New Basement Option: Steel Panels

Steel Panel Foundations (SPF) introduced a steel panel basement foundation technology in October. The system allows builders to create water-tight finished basements at lower costs and in less time than using cement foundations.

SPF is the first professionally engineered, galvanized steel foundation system that uses modular, water-tight construction and technology that meets the Building Officials and Code Administrators (BOCA) requirements and the American Iron and Steel Institute (AISI) specifications for form steel.

There are many benefits to the lightweight construction of the SPF system: economical transportation costs, larger wall lengths are possible, year-round installation, no special site preparation or large cranes are required, framing can start directly after the system is set, and the end result is a warm and dry basement.

For more information about Steel Panel Foundations and its basement foundation technology, SPF, visit www.steelpanelfoundations.com. [Source: <http://home.businesswire.com>]

Builder Confidence Improves In November

Suggesting stabilizing conditions in the nation's single-family housing market, home builder confidence in November edged up for the second consecutive month, according to the National Association of Home Builders/Wells Fargo Housing Market Index (HMI), released on November 16. The HMI gained two points from the previous month to stand at 33.

"More and more builders are seeing light at the end of the tunnel," said NAHB President David Pressly, a home builder from Statesville, NC. "Our members are telling us that the market is steadying after a significant downward correction. On the demand side, we look for sales to stabilize and gradually move up in the coming months."

"With home prices leveling off, mortgage interest rates remaining near historic lows, energy prices declining and the economy continuing to generate solid growth in employment and household income, affordability is now on the mend and many consumers recognize that home buying conditions have improved," said NAHB Chief Economist David Seiders. "Builders are picking up on this change in market momentum."

Derived from a monthly survey that NAHB has been conducting for almost 20 years, the NAHB/Wells Fargo HMI gauges builder perceptions of current single-family home sales and sales expectations for the next six months as "good," "fair" or "poor." The survey also asks builders to rate traffic of prospective buyers as either "high to very high," "average" or "low to very low." Scores for each component are then used to calculate a seasonally adjusted index where any number over 50 indicates that more builders view sales conditions as good than poor. All three component indexes moved higher in November, including a one-point gain in the current sales index, to 33. [Source: NAHB Press Release, 11/16/06, www.nahb.org]

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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.

Dec	Jan06	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov
57	57	56	54	51	46	42	39	33	30	31	33

Source: National Association of Home Builders

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Midwest Dominates the Affordability Lists, California Remains Least Affordable

Indianapolis maintained its standing as the most affordable major U.S. housing market for a fourth consecutive time in the second quarter of 2006, according to the National Association of Homebuilders/Wells Fargo Housing Opportunity Index (HOI) released in September. Meanwhile, nationwide housing affordability edged slightly downward as the median price of all homes sold in the period remained unchanged and a slight uptick registered in the average mortgage rate.

Most Affordable Major Metro Markets:

1. Indianapolis, IN
2. Detroit-Livonia-Dearborn, MI
3. Grand Rapids-Wyoming, MI
4. Buffalo-Niagara Falls, NY
5. Youngstown-Warren-Boardman, OH-PA

Most Affordable Smaller Metro Markets:

1. Springfield, OH
2. Bay City, MI
3. Lansing-East Lansing, MI
4. Saginaw-Saginaw Township North, MI
5. Battle Creek, MI

Least Affordable Major Metro Markets:

1. Los Angeles-Long Beach-Glendale, CA

2. Santa Ana-Anaheim-Irvine, CA
3. San Diego-Carlsbad-San Marcos, CA
4. New York-White Plains-Wayne, NY-NJ
5. Stockton, CA

Least Affordable Smaller Metro Markets:

1. Salinas, CA
2. Merced, CA
3. Modesto, CA
4. Santa Cruz-Watsonville, CA
5. Santa Barbara-Santa Maria, CA

[Source: *LBM Journal*, October 2006, p. 7]

Siding Is "Branching" Out

Poplar tree bark is a new option to consider when siding a house. Bark scraps from lumber harvesting are converted into a unique new style of siding. After removal from poplar trees, the bark is culled, flattened and kiln-dried to stabilize the bark and kill insects without the use of chemicals. The bark is sorted by thickness, varying from four inches to four feet. One of the perks to this alternative siding is that it is maintenance free and can last over 75 years. For sections of the bark that will be exposed to intense sunlight or substantial moisture there is even a wood preservative that can slow the bleaching process. Shingles cost approx. \$5.75 to \$7.25 per square foot. [Source: *Fine Homebuilding*, November 2006, p.38] **SBC**

We welcome and encourage your feedback! Email ideas for this department to builderbanter@sbcmag.info.

Success Is What You Make It



Name:

Kendall Hoyd

Hometown:

Boise, Idaho

Started working in the industry:

1997

Name of first truss plant you worked in:

Idaho Truss & Component Co.

Current company & position:

Idaho Truss & Component Co., President

Favorite color:

Red

Favorite food:

Tacos



Kendall Hoyd began at Idaho Truss in 1997 to assume the duties of my partner who was preparing to retire. From the very beginning, he devoted everything he had to making Idaho Truss successful in a blisteringly competitive market.

Throughout the years, Kendall has accomplished many great things for the company. He was

instrumental in implementing quality improvement programs, resulting in In-Plant WTCA QC certification. He developed an extremely comprehensive truss pricing program, improving our profitability and has assembled a terrific management team to help our growth.

Through Kendall's efforts, we have been able to start a wall panel plant, add EWP, a framing company, and engineering and home design services to our product offering. During this time, Kendall also served WTCA on the Board and as the 2005 president, making significant contributions to the industry during his term.

Kendall supports education and improvement programs for all Idaho Truss employees. He encourages personal growth and has developed the tools to measure and reward exceptional performance. I can't imagine a better man to have as a partner and an industry asset. **SBC**

—submitted by Michael G. Hill,
Owner of Idaho Truss & Component Co.

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6300 Enterprise Lane • Suite 200 • Madison, WI 53719
608/310-6706 phone • 608/271-7006 fax
www.sbcmag.info • admgr@sbcmag.info