

## Housing Starts - May 16 2008

WASHINGTON (AP) – May 16, 2008 – Construction of new homes in the U.S. posted the biggest increase in more than two years in April, a rare spot of good news amid the worst downturn in housing in more than two decades.

The Commerce Department reported Friday that housing construction rose by 8.2 percent in April to a seasonally adjusted annual rate of 1.03 million units. Building of single-family homes continued to weaken, however. The growth came from a big jump in apartment construction, which can be extremely volatile from month to month. Apartment building, defined as two or more units, jumped by 36 percent to a seasonally adjusted annual rate of 340,000 units.

Still, the overall gain represented recovery after a steep slump in March building pushed activity to the slowest pace in 17 years.

The surprising rebound was expected to be temporary given the headwinds builders are confronting, from slumping sales to soaring home foreclosures.

The larger single-family sector dropped by 1.7 percent to an annual rate of 692,000 units.

Applications for building permits, considered a good sign of future activity, also recorded an increase in April, rising by 4.9 percent to 978,000 units. It was the first gain in permits in five months.

But economists believe that housing construction will remain under pressure until builders have more success in reducing a huge backlog of unsold homes.

That effort is being made more difficult by a record wave of foreclosures as millions of borrowers lose their homes because they cannot keep up with escalating payments, particularly on subprime mortgages, loans extended to people with weak credit histories.

By region of the U.S., construction posted the largest gain in the Midwest, an increase of 24.4 percent when compared to March. Construction rose 18.5 percent in the West and was up 3.6 percent in the South. However, construction fell by 12.7 percent in the Northeast.

Even with the improvement, housing construction nationwide was 30.6 percent below the level of activity a year ago.

The National Association of Home Builders reported Thursday that its monthly survey of builder sentiment edged down in May to a reading of 19, just above the all-time low of 18 set in December. The survey had held steady at the low level of 20 from February through April.

David Seiders, the group's chief economist, said that conditions in the industry have continued to deteriorate.



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