BUSINESS

Home building rises in August

Apartments, condos lead gains, but residential construction still weak

By Alan Zibel
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WASHINGTON — Home construction increased last month and applications for building permits also grew. The gains were driven mainly by apartment and condominium construction, not the much larger single-family homes sector.

Construction of new homes and apartments rose 10.5 percent in August from a month earlier to a seasonally adjusted annual rate of 598,000, the Commerce Department said Tuesday. That's the highest level since April.

Pulling the figures up was a 32 percent monthly increase in the condominium and apartment market, a small portion of the market. Single-family homes, which represented about 73 percent of the market in August, grew more than 4 percent.

Housing starts are up 25 percent from their bottom in April 2009. But they remain 74 percent below their peak in January 2006. Single-family housing starts are up 11 percent from their low point in January 2009, but down 78 percent from their peak in January 2006.

Builders are struggling with weak demand for new homes caused by high unemployment and a glut of foreclosed homes on the market. They benefited in the spring from federal tax credits, but those expired in April.

Paul Dales, U.S. economist with Capital Economics, said the high number of vacant homes, mounting expectations of renewed price falls and economic constraints on households will continue to weigh on the industry.

"Homebuilding activity remains at an astoundingly weak level," Dales said, adding construction has to be more than double current levels for the market to be considered healthy.

Building permit applications, a sign of future activity, grew by nearly 2 percent to an annual rate of 569,000.

Lennar Corp., a major builder based in Miami, said Monday the number of buyers signing agreements to purchase its homes fell 15 percent from a year ago in the three months ended Aug. 31.

"It's been a tough summer," said Stuart Miller, Lennar's chief executive on a conference call with investors Monday. "As we've gone into September, we're seeing a little bit of pickup in our traffic, but that shouldn't be cause to have a sigh of relief at this point."

Construction activity rose 34 percent in the West and was up 22 percent in the Midwest and 7 percent in the South. However, construction fell by 24 percent in the Northeast.

Monday, the National Association of Home Builders said its monthly index of builders' sentiment was unchanged in September at 13. The index has now been at the lowest level since March 2009 for two months.