Home building stuck in slow recovery mode

Construction rises 6.3% from August

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USA TODAY

Home building's off-and-on recovery switched back on last month as construction starts rebounded from a late summer slump.

Housing starts rose 6.3% from August as builders began construction of single-family homes and apartment buildings at a seasonally adjusted annual rate of 1.02 million, the Commerce Department said Friday.

That tops August's revised rate of 957,000 but trails July's newly updated rate of nearly 1.1 million — the highest for any month this year.

Last month's performance marks only the third month this year that starts have broken an annualized level of 1 million. Home builders' average annual rate was nearly 1.8 million homes a month during the national building boom from 2000 through 2006.

Permits also increased in September, up 1.5% to a seasonally adjusted annual level of 1.02 million.

The construction rate for both single-family homes and apartment buildings accelerated from August. Starts also increased in every region of the country, ranging from a 13.2% jump in the West to a 3.5% improvement in the Midwest.

September's rate of starts was roughly in line with economists' median forecast for a rate of just over 1 million, according to Action Economics' survey, but economists showed little enthusiasm after the report's release.

"The report continued to show that the recovery in the housing market will likely remain gradual, as well as uneven," Royal Bank of Scotland economists said in a research note.

Richard Moody, chief economist of Regions Financial, noted in his comments to clients that single-family home starts have been little changed for 12 months, and data on permits don't point to a pickup in coming months.

"In the wake of the considerable volatility seen in the financial markets this week, the immediate reaction to the September construction data was a large sigh of relief," he said. "The details of the construction data, however, don't make us feel any more positive about the single-family segment of the housing market, which continues to plod along at a frustratingly slow pace."

Home construction has come a long way back since the recession, when annualized rates dropped to a low of 478,000 a month in 2009.

But the housing industry has had a bumpy year in 2014, disappointing forecasters who predicted a stronger recovery. A brutal winter contributed to weak construction numbers and sales early in the year, but restrictive lending conditions for many potential home buyers and scant wage growth have held back demand.

New home construction is up 9.5% from January-September last year, but the gains have been powered by a 23% surge in apartment building. Single-family home building is only up 3.8%.

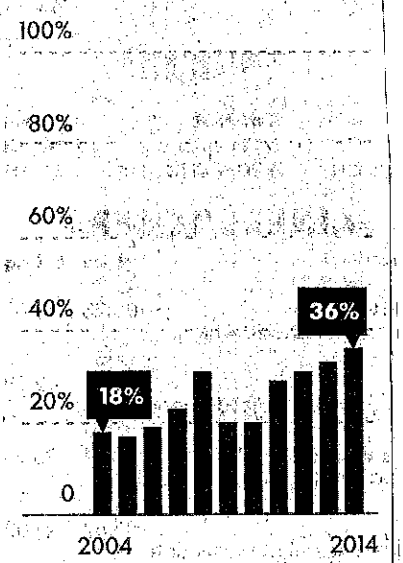
Builders' confidence in the single-family market slipped this month after four months of gains, according to the National Association of Home Builders/Wells Fargo index released Thursday. The NAHB survey showed builders' views on current sales, the outlook for sales over the next six months and prospective traffic by buyers fell in October. But many economists say an improving economy and increasing job gains should eventually lead to a stronger housing market.

MIKE SPENCER, A

Construction crews work on a home this month in the Brunswick Forest neighborhood of Leland, N.C.

APARTMENTS RISING

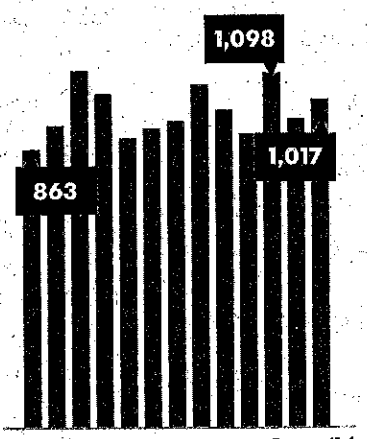
Single-family home construction boomed in the early and mid-2000s, but construction of apartment buildings has grown more rapidly the past five years. Multifamily homes' growing share of U.S. housing starts:



Note 2014 figure is through September
Source Census Bureau from Haver Analytics
KRIS KINKADE, USA TODAY

SLOW COMEBACK

Housing starts climbed more than 6% in September, rebounding from an August slump. Monthly starts at seasonally adjusted annual rates, in thousands:



Source Census Bureau from Haver Analytics
KRIS KINKADE, USA TODAY