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Home construction at highest pace in 5 years

Despite interest rates, builders are confident

By Christopher S. Rugaber
Associated Press

WASHINGTON — U.S. builders broke ground on homes last month at the fastest pace in more than five years, strong evidence that the housing recovery is accelerating despite higher mortgage rates.

The Commerce Department said Wednesday that developers began construction on houses and apartments in November at a seasonally adjusted annual rate of 1.09 million. That's 23 percent more than October's pace of 889,000 and the fastest since February 2008, just a few months after the recession began.

Construction of single-family homes jumped 21 percent to an annual pace of 727,000, also the highest in more than five years. Apartment construction soared 26 percent to a 354,000 annual pace.

Permits for future building slipped 3 percent to just over 1 million, down from 1.04 million in October. The drop reflected a decline in apartments, which can be volatile. Permits for single-family homes rose.

"Evidently, builders in the field are genuinely confident about the outlook for sales of new single-family houses, despite the rise in mortgage rates," said Pierre Ellis, an economist at Decision Economics.

The housing market has been improving steadily since early last year, but construction had leveled off this summer after first reaching a 1 million annual pace in March. Last month's surge comes as mortgage rates remain about a percentage point higher than they were in the spring. That suggests home building will boost economic growth in the final three months of the year.

The average rate on a 30-year mortgage fell to 4.42 percent last week. That's down from a peak of 4.6 percent in August.