April 17th
Cville News

Housing starts gain in multi-family

By Martin Crutsinger
THE ASSOCIATED PRESS

WASHINGTON — Housing construction posted a better-than-expected performance in March, rising to the highest level in 16 months. The gain was due solely to multifamily homes, which account for less than 20 percent of the market.

The Commerce Department report Friday said construction of single-family homes, the most important segment of the market, fell 0.9 percent to an annual rate of 531,000 units. But permits for single-family construction, a gauge of future activity, were up.

The increase in housing starts tempered news this week from RealtyTrac Inc. that a record number of U.S. homes were lost to foreclosure in the first three months of the year. The low selling prices of those foreclosed homes have put builders at a disadvantage, held back hiring in the construction industry and helped restrain the broader economic recovery.

"We need a decent or at least stable construction sector if job growth and the economy can get back to normal, and that process is proceeding slowing," said Joel Naroff, chief economist at Naroff Economic Advisors.

The Commerce report Friday said overall construction rose 1.6 percent to a seasonally adjusted annual rate of 626,000. That was higher than the 610,000 level economists expected. In addition, the government revised February's numbers to show a 1.1 percent gain rather than the initially reported drop of 5.9 percent.

Applications for building permits rose 7.5 percent to an annual rate of 685,000.

The weakness in single-family construction was offset by an 18.8 percent surge in the smaller multi-family sector, which rose to a seasonally adjusted annual rate of 95,000 units. Analysts do not expect this strength to continue given a multitude of problems facing commercial real estate at the moment. That includes high apartment vacancy rates and rising foreclosures of commercial properties.

sector