Housing starts up more than expected

By Alan Zibel
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WASHINGTON — Construction of new U.S. homes rose in June to the highest level in seven months as builders rushed to pour foundations for homes that must be completed by the end of November for first-time buyers to take advantage of a special tax break.

The Commerce Department said Friday that construction of new homes and apartments jumped 3.6 percent last month to a seasonally adjusted annual rate of 582,000 units, from an upwardly revised rate of 562,000 in May.

It was better than the 530,000-unit pace economists expected, and was the second straight monthly increase after April's record low of 479,000 units.

"This was the most positive housing report in ages," wrote Patrick Newport, an economist with IHS Global Insight.

Homebuyers are being attracted by lower prices, and first-time buyers can also take advantage of a tax credit worth 10 percent of the purchase price, with a cap of $8,000, which was included in the federal stimulus package.

"The largest spark...has been the looming deadline," said David Crowe, chief economist for the National Association of Home Builders. His trade group said Thursday that the confidence level of builders has risen to the highest level in nearly a year.

Shares of major homebuilders rose on the news with Beazer Homes and Hovnanian Enterprises up about 5 percent.

Over the past three years, the collapse in the housing market led to soaring loan losses, a severe banking system crisis and the longest recession since World War II. Even with the better-than-expected figures, the pace was still 46 percent below last year, and analysts don't expect a quick re-

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expected

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bound. That's because companies are still shedding jobs and home prices are falling.

"There's still a long way to go before one wants to declare anything that begins to look like a strong recovery or success," said Rebecca Blank, undersecretary of commerce for economic affairs.

The Federal Reserve this week projected that the national unemployment rate, currently at a 26-year high of 9.5 percent, will pass 10 percent by the end of the year. Unemployment has already passed that mark in 15 states and the District of Columbia last month, according to federal data released Friday.

The rate in Michigan surpassed 15 percent, the first time any state has hit that level since 1984.

Most Fed policymakers said it could take five or six years for the economy and the labor market to get back on a path of long-term health. To get there, consumers must return to a regular spending groove and housing prices need to start rising again.

The jump in housing starts last month reflected a more than 14 percent rise in construction of single-family homes, the largest monthly increase since December 2004. Construction of multifamily units — a particularly volatile part of the market — fell nearly 26 percent from a month earlier.

Meanwhile, applications for building permits, seen as a good indicator of future activity, rose almost 9 percent in June.



CHUCK BURTON / The Associated Press

Workers move materials at an apartment complex under construction in Charlotte, N.C. Construction of new U.S. homes rose in June to the highest level in seven months.