New-home starts dip to lowest in 10 months

By Julie Schmit
USA Today

New-home starts fell in June because of a slowdown in multifamily starts, which dipped to their lowest level in 10 months, the Commerce Department said Wednesday.

Single-family starts remained near April and May levels, an indication of continued slow recovery in the homebuilding sector.

Multifamily starts fell by 26.2 percent in June from May but single-family starts — which account for 70 percent of all construction activity — slipped only 0.8 percent month to month.

"Homebuilding is still very much in recovery mode," says Paul Diggle, economist with Capital Economics.

Permits to build housing, a more forward-looking indicator, hit the seasonally adjusted annual rate of 911,000, down 7.5 percent from May but up 16.1 percent from a year ago.

Housing starts came in at the seasonally adjusted annual rate of 836,000, down 9.9 percent from May but up 10.4 percent from June a year ago.

The numbers disappointed. Housing starts, both single-family and multifamily, dropped in the second quarter, says IHS Global Insight economist Patrick Newport. What's more, multifamily permits are slowing.

Still, builders aren't putting up homes fast enough to satisfy buyers' demand, so prices should continue to rise and that will attract more builders, Newport says.

While multifamily construction slowed, starts for apartment buildings are still up 35 percent in the first half of this year.