US home construction in slow but steady comeback

BY CHRISTOPHER S. RUGABER
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WASHINGTON — Home construction is making a long-awaited recovery that could help energize the U.S. economy.

From areas like Phoenix that are finally arising from the housing bust to cities like Chicago and Minneapolis where strong economies have lifted demand, residential construction is healthier than it's been than at any time since sales and prices collapsed five years ago.

Builders are responding to interest from buyers attracted by cut-rate prices, record-low mortgage rates and rising rents, which have made a home purchase comparatively appealing.



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U.S. builders broke ground on the most new homes and apartments in nearly four years last month, the latest evidence of a slow housing recovery.

Last month, single-family home building rose for a fourth straight month to a two-year high. And permits to build single-family homes, which make up about 70 percent of new-home market, reached their highest point since March 2010.

The news helped lift stock prices. The Dow Jones industrial average rose 69 points in the first 90 minutes of trading, overcoming an early deficit of 50 points. And homebuilders' stocks gained. KB Home and Hovnanian Enterprises both rose nearly 1 percent.

Home construction still has a long way to go to fully regain its health. June's seasonally adjusted annual rate of 760,000 is the highest since October 2008. Yet that's only about half the pace of roughly 1.5 million homes a year that economists consider normal.

The improvement has been slow but steady from the depth of the housing bust in April 2009, when the seasonally adjusted annual rate bottomed at 478,000 homes. And a continued resurgence would deliver huge economic benefits: A healthy pace of 1.5 million new homes a year would add roughly 0.5 percentage point to annual economic growth, according to calculations by Joel Prakken, chairman of Macroeconomic Advisers.