US homebuilders request most permits in 3 ½ years

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WASHINGTON — U.S. builders requested the most permits in March for single-family homes and apartments in 3½ years, suggesting that many expect the housing market to improve over the next year.

The Commerce Department said Tuesday that permits, a gauge of future construction, rose 4.5 percent to a seasonally adjusted annual rate of 747,000 in March. That's the highest level since September 2008.

The rise in permits helped offset a slower month of construction.

Jonathan Basile, director of economics at Credit Suisse, said more permits is a "good sign for broader economic activity" and should lead to increase in construction in the coming months.

Builders broke ground at a seasonally adjusted annual pace of 654,000 homes last month. That's down 5.8 percent from February. Apartment construction, which can fluctuate sharply from month to month, fell nearly 20 percent. Single-family homebuilding was mostly unchanged.

Yet the rate of construction and the level of permits requested remain only about half the pace considered healthy. Economists say that construction activity is still depressed and the housing market has a long way to go before it is back to full health.

Since the fall, builders had slowly grown more confident in the market after seeing more people express interest in buying a home. But that interest has yet to materialize into many sales. As a result, builder confidence fell this month for the first time since September.

Part of the reason for the previous optimism was a mild winter allowed builders to keep working in most parts of the country. And an improving job market has many slightly more optimistic about home sales this year.

January and February were the best for sales of previously occupied homes in five years. And an average of 212,000 jobs was created each month from January through March. Unemployment has sunk from 9.1 percent in August to 8.2 percent last month.

Though new homes represent just 20 percent of the overall home market, they have an outsize impact on the economy. Each home built creates an average of three jobs for a year and generates about $90,000 in taxes, according to the National Association of Home Builders.

There are some hurdles to a smooth recovery: Builders are struggling to compete with deeply discounted foreclosures and short sales — when lenders allow homes to be sold for less than what's owed on the mortgage.

After previous recessions, housing accounted for at least 15 percent of U.S. economic growth. Since the recession officially ended in June 2009, it has contributed just 4 percent.

Another reason sales have fallen is that previously occupied homes have become a better deal than new homes. The median price of a new home is about 30 percent higher than the median price for a re-sale. That's nearly twice the markup typical in a healthy housing market.