

Housing construction rises 1.7%

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WASHINGTON - A weak housing market received a tiny boost from apartment construction last month. But the overall outlook remained dim as applications for building permits fell to the lowest level in 14 months.

Construction of new homes and apartments rose 1.7 percent last month, the Commerce Department said Tuesday. Driving the increase was a 32.6 percent surge in apartment and condominium construction - a small fraction of the market.

Still, requests for building permits, considered a good sign of future activity, fell 3.1 percent.

"The bad news is that activity is likely to remain depressed for several years," said Paul Ashworth, senior U.S. economist at Capital Economics. "The good news, however, is that housing is so depressed it is hard to see activity falling much further from such a severely depressed level."

Separately, the Labor Department said wholesale prices rose 0.2 percent last month with higher costs of food, cars and light trucks. It was the first increase to the Producer Price Index since March. Still the modest increases show that the weak economy isn't spurring widespread price rises.

Excluding volatile food and energy costs, so-called "core" producer prices rose 0.3 percent in July, the ninth straight increase. Core prices have risen 1.5 percent in the past year.

A rebound in housing is considered critical for a sustained economic recovery. But builders continue to struggle with weak demand for new homes caused by high unemployment and a glut of foreclosed homes on the market.

The July increase in housing construction pushed total activity to a seasonally adjusted annual rate of 546,000 units. Building activity in June was weaker than first reported. It fell 8.7 percent to an annual rate of 537,000 units, the slowest pace since October of last year.

Housing construction got a boost earlier in the year when the government offered buyers up to \$8,000 in federal tax credits. But after the incentives expired at the end of April, sales and constructions activity slumped.

Construction of apartments and condominiums jumped to an annual rate of 114,000 units. The bigger single-family sector declined 4.2 percent, falling to an annual rate of 432,000 units.

The drop in building permits left applications for new construction at a seasonally adjusted annual rate of 565,000, the slowest pace since May 2009.

Construction activity surged 30.5 percent in the Northeast and was up 10.7 percent in the Midwest. However, construction fell 6.3 percent in the South and was flat in the West.

In advance of the report on housing starts, the National Association of Home Builders reported Monday that its monthly index of builder sentiment dropped to 13 in August. That was the lowest reading in 17 months. Readings below 50 indicate negative sentiment about the housing market. The last time builders' index was above 50 was in April 2006.

Builders say consumers remain worried about the weak economic recovery and the sluggish jobs market. Among those who are buying, many are opting for deeply discounted foreclosed properties.

Read more: <http://www.azcentral.com/business/articles/2010/08/17/20100817biz-housingstarts0817.html#ixzz0wtinw4GI>