

## Housing Starts

Housing starts remained strong in September, increasing 3.4% to 2.108 million (SAAR). This is the sixth consecutive month they have been above the 2 million level. The single-family sector also increased 2.6% to 1.709 million SAAR, while multi-family was up 7.8%. Permits were up 2.4%, suggesting continued strength in housing activity through the end of 2005.

### U.S. Housing Starts

Millions - Seasonally Adjusted Annual Rate (SAAR)

U.S. Totals	Sept	Aug (rev.)	% Change	
Starts	2.108	2.038	3.4%	
Permits	2.189	2.138	2.4%	
Single Family				
Starts	1.747	1.703	2.6%	
Permits	1.749	1.676	4.4%	
Multi Family				
Starts	0.361	0.335	7.8%	
Permits	0.440	0.462	-4.8%	
Starts and Permits By Region:				
NE	Starts	0.198	0.198	0.0%
	Permits	0.199	0.186	7.0%
MW	Starts	0.368	0.361	1.9%
	Permits	0.363	0.353	2.8%
S	Starts	0.981	0.918	6.9%
	Permits	1.032	1.064	-3.0%
W	Starts	0.561	0.561	0.0%
	Permits	0.595	0.535	11.2%

**Analysis & Outlook:** Most of the increase this month was due to a bounce back from the Katrina inspired lull in the South last month. Near term, the housing market should remain strong and is expected to remain so for the rest of 2005. Having said that, longer term, there are increasing signs of inflation, hence the FED's intent to keep raising rates into next year. Many analysts feel the FED funds rate will reach 4.5% by the end of January next year, and this will push the prime rate to 7.5%—the FED funds rate should top out near 4.75% or 5% while prime tops out near 8% next year. The concern is that increasing energy costs will eventually work their way into increasing manufacturing costs. CPI, as reported in mid-October, was up 4.7% (year over year), with the core rate (excluding food and energy) up a more modest 2%. However, since we have to eat, drive to work and heat our homes, the 4.7% rate suggests that consumer spending on non-food and energy items will slow and this will bring GDP down from 3.5% this year to about 3% next year. Mortgage rates are now above 6% (30-year fixed) and will probably peak near 7% by the end of next year. Finally, the inventory of new homes for sale is the highest since January 1997, while the inventory of existing homes for sale is the highest on record. All this to say that housing will cool somewhat next year—the latest NAHB forecast is for 1.93 million starts in 2006 (1.58 million single-family), about 5% drop from this year's forecast. Many analysts believe that number is a bit optimistic, but the consensus is for another decent year for housing next year. Long term concerns are similar to past reports—worsening budget and trade deficits (due to increasing energy costs) could trigger problems for the dollar and would be inflationary. **SBC**

This housing starts report is provided to **SBC** on a monthly basis by **SBC Economic Environment** columnist Al Schuler. Visit [www.sbcmag.info](http://www.sbcmag.info) for more economic news.



## Builder Banter

### Ten Design Trends in Building

A recent meeting of the National Association of Home Builders (NAHB) revealed the following top ten growing trends in building and construction:

1. *Custom homebuilders are moving into the multifamily market.* Rising costs have put the price of the most basic single-family home out of reach for median-income families. As a result, custom builders are beginning to enter the multifamily market.
2. *Fewer architects will be available for multifamily design.* There are two limiting factors: licensing requirements and insurance carrier restrictions.
3. *Community planning is not keeping up with current housing and growth needs.* Maybe more accurately labeled a "non-trend," an apparent lack of community planning using up-to-date planning tools is resulting in greater project costs.
4. *Growth controls are reducing affordability.* When builders attempt to address increased housing demand in their area and challenge outdated community ordinances, their communities generally respond with growth controls. These restrictions take more time, work and concessions to deal with in order to satisfy neighbors and community activists. Affordability is lost in this struggle.
5. *Regional styles are crashing their borders.* The Tuscan style, from central Italy, is enjoying great popularity in Orange County, CA homes. Other regional styles have had similar success in markets beyond where you'd expect to find them.
6. *Trends in home sizes and second homes are hard to pinpoint.* When it comes to home sizes, opinions varied. Some saw homes getting progressively larger while another group saw just the opposite.
7. *Public acceptance of green building is beginning to show in sales success.*
8. *Colors and texture are much bolder.*
9. *Context is fundamental.* Designing to show respect for neighboring architecture and social traditions has long been a fundamental principal of architectural design. A hilltop Tuscan village is a perfect example. Every building in the village looks the same, except the churches and monuments. They used the same stone, the same roof tiles and the same details, and yet everyone marvels at the character and style of the village as a whole. In contrast, our Americans' independent attitude has created neighborhoods of individually designed homes: each home attempting to make its own personal statement.
10. *Homebuilders help shape the market with the products offered.* The trend being realized is that builders shape the market with the products they offer. The market didn't demand television or cell phones, it consumed them en masse when they were introduced.

[Source: [www.nbnnews.com/NBN/issues/2005-09-05/Design/index.html](http://www.nbnnews.com/NBN/issues/2005-09-05/Design/index.html)] **SBC**

Email ideas for this department to [builderbanter@sbcmag.info](mailto:builderbanter@sbcmag.info).

### Housing Market Index 2004-05 (HMI)

The HMI is a weighted, seasonally adjusted statistic derived from ratings for present single family sales, single family sales in the next 6 months and buyers traffic. The first two components are measured on a scale of "good" "fair," and "poor," and the last one is measured on a scale of "high," "average" and "low." A rating of 50 indicates that the number of positive or good responses received from the builders is about the same as the number of negative or poor responses. Ratings higher than 50 indicate more positive or good responses.

Nov	Dec	Jan05	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct
70	71	70	69	70	67	70	72	70	67	65	67

Source: National Association of Home Builders

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