

## Housing Starts

September housing starts reversed recent trends by increasing 5.9 percent to 1.772 million (SAAR). Single family starts were up 4.3 percent to 1.426 million (SAAR). Permits, a good indicator of what may happen in the next two to three months, fell 6.3 percent.

### U.S. Housing Starts Millions - Seasonally Adjusted Annual Rate (SAAR)

U.S. Totals	Sept	Aug (rev.)	% Change
Starts	1.772	1.674	5.9%
Permits	1.619	1.727	-6.3%
<b>Single Family</b>			
Starts	1.426	1.367	4.3%
Permits	1.207	1.284	-6.0%
<b>Multi Family</b>			
Starts	0.346	0.307	12.7%
Permits	0.412	0.443	-7.0%
<b>Starts and Permits By Region:</b>			
<b>NE</b>			
Starts	0.134	0.156	-14.1%
Permits	0.164	0.169	-3.0%
<b>MW</b>			
Starts	0.270	0.261	3.4%
Permits	0.258	0.277	-6.9%
<b>S</b>			
Starts	0.975	0.855	14.0%
Permits	0.799	0.883	-9.5%
<b>W</b>			
Starts	0.393	0.402	-2.2%
Permits	0.398	0.398	0.0%

**Analysis & Outlook:** According to a special report by Toronto Dominion Bank ([www.td.com/economics](http://www.td.com/economics)), "The U.S. housing sector directly contributed more than \$2 trillion to the national economy in 2005 and accounted for one quarter of real GDP growth and a good share of employment growth." The main concern among most analysts is how much the housing market correction (inventory correction as discussed in last month's report) will dampen economic growth over the next 12 months or so. The consensus GDP forecast for 2007 is about 2.8 percent, down significantly from the estimated 3.4 percent growth for 2006. The housing sector was the major employment generator during the past three years so the current downswing in housing is impacting payroll employment and incomes. In addition, builders are cutting back on production (starts) as they work inventories down to restore pricing power, and this is expected to take another 12 months. The large inventory in unsold, but completed homes will force builders to become more innovative. Some examples include the usual lowering in prices, but also, offering help in fixing up your old home if you buy a new home, and even offering to buy your old home.

On the brighter side, spending on business investment and non-residential construction are improving and this will provide much needed balance for the economy in 2007 and beyond. Inflation remains a concern, but lower energy prices will help, and excess manufacturing capacity worldwide will help to keep both incomes and prices from increasing too quickly. The consensus housing forecast for 2007 is 1.6 to 1.65 million total starts (SAAR) and 1.3 to 1.35 million single family starts, down about 23 percent from 2005 levels. Those same analysts expect residential activity to return to trend levels in 2008. **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

### Storm Water Penetration Standard in the Works

The American Architectural Manufacturers Association (AAMA) is evaluating testing of window and door performance in wind-driven rain conditions to aid in the creation of a voluntary standard specification that would note what level of water penetration during extreme storm events is permissible.

Indoor/outdoor pressure differentials due to hurricane wind-gusting and turbulent wind flow will be measured by AAMA researchers. The permissible amount of water infiltration is targeted to be no more than two ounces of water per ten minutes during a 100-mile-per-hour hurricane.

For more info contact Dean Lewis of the Hurricane Water Penetration Standard Development Task Group by phone at 847/303-5664 or at [dlewis@aamanet.org](mailto:dlewis@aamanet.org). [Source: *Building Safety Journal*, August 2006, p. 55]

### NAACP & NAHB Unite to Focus on the State of Minority Housing

Affordable housing for minorities is a significant problem that the National Association of Home Builders (NAHB) and the National Association for the Advancement of Colored People (NAACP) have come together to help resolve. The homeownership rate for African Americans is nearly 20 percent below the national average, despite being the highest it has ever been. "Building on a Dream" is a report issued by the NAACP and NAHB that provides a comprehensive view of the state of minority housing and explores the barriers to housing affordability. Putting an end to predatory lending and establishing community planning that takes housing opportunity into account are included as action items that the two associations plan to tackle along with the nine policy recommendations included in the report. [Source: [www.nahb.org](http://www.nahb.org)]

### Builder Confidence Stabilizes In October

Breaking a string of eight consecutive monthly declines, the National Association of Home Builders/Wells Fargo Housing Market Index (HMI), which gauges builder sentiment in the single-family housing market, posted a modest one-point gain to stabilize at a level of 31 in October.

"While the index remains at a low level, the single-point increase from September's reading suggests that builder attitudes for new-home sales may be stabilizing," said NAHB Chief Economist David Seiders. "This is attributable to several key economic factors: mortgage interest rates have fallen substantially from their summer highs, energy prices have dropped dramatically from their recent peaks, consumer sentiment has posted a strong rebound and the job market is doing reasonably well."

"More than three out of four builders are offering substantial sales incentives to move their product and limit cancellations, and this aggressive strategy is working—making this an opportune time for home buyers to enter the market," said NAHB President David Pressly, a home builder from Statesville, N.C. "The market correction appears to be approaching the bottom in terms of sales volume, and we expect the supply-demand balance to improve considerably before long." [Source: NAHB Press release, 10/17/06, [www.nahb.org](http://www.nahb.org)] **SBC**

### Housing Market Index 2005-06 (HMI)

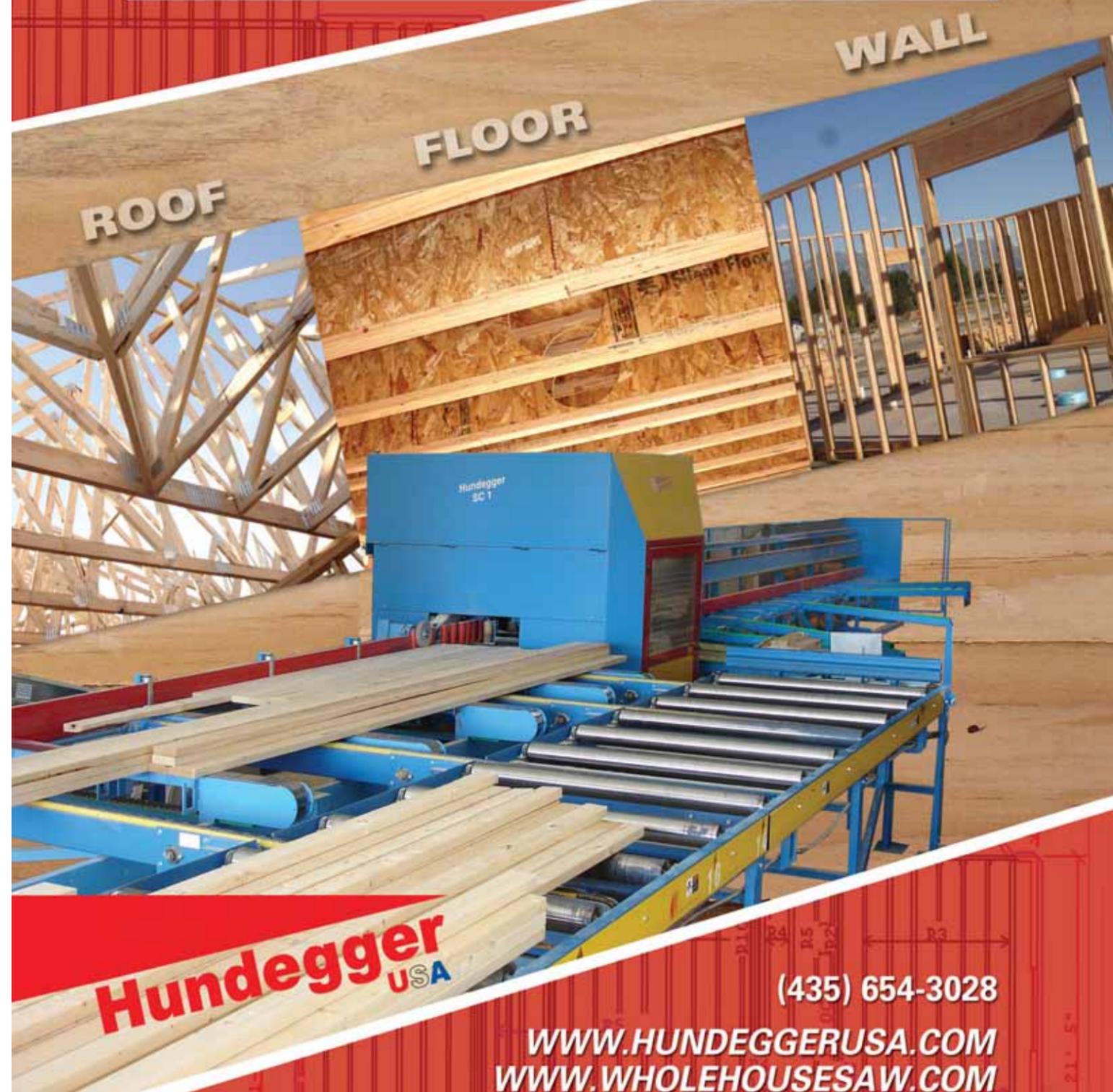
The HMI is a weighted, seasonally adjusted statistic derived from ratings for present single family sales, single family sales in the next 6 months and buyers traffic. The first two components are measured on a scale of "good" "fair," and "poor," and the last one is measured on a scale of "high," "average" 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	Jan06	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct
61	57	57	56	54	51	46	42	39	33	30	31

Source: National Association of Home Builders

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6300 Enterprise Lane • Suite 200 • Madison, WI 53719  
608/310-6706 phone • 608/271-7006 fax  
[www.sbcmag.info](http://www.sbcmag.info) • [admgr@sbcmag.info](mailto:admgr@sbcmag.info)