

Housing Starts in the U.S.



November 2012

The following article is a summary of the trends in new housing starts since 2011 as well as the causes of the trends and the effects on the construction industry.

Housing starts (new home construction) in the U.S. grew 15 percent in September 2012 due to growth of the U.S. population combined with a diminishing supply of new homes. The annual rate of housing starts surged to 872,000, the highest level in four years.

According to the most recent Census Bureau data, U.S. households grew to 119.9 million in 2011, a gain of 2% from 2010 and the biggest gain in 10 years. As a result of the growing U.S. population, the supply of new homes decreased. In August, at current sales prices, there were only enough properties on the market to last 4.5 months, the lowest level in the 7 years. The Fed has continuously lowered mortgage rates which also led to an increase in home demand. Average mortgage rates for a 30-year fixed year rate were 3.41 on November 19th, nearing the record low of 3.36 reported on October 4th. (1)

The increase in new home construction led to a rise in shares of homebuilders and lumber futures. The Standard and Poor's Supercomposite Homebuilding Index climbed to 448.18 in October 2012. Also affected were building permits for future construction, increasing 45.1 percent since September 2011. Additionally, Home Depot, the largest home improvement retailer in the U.S. saw an increase in stock price of 85% during the same time frame, therefore contributing to the notion that the industry is rebounding. (2)

As a result of the improved outlook on U.S. housing starts, consumer confidence has also increased. The housing market recovery has been extremely important to the health of the economy as a whole and has traditionally been the leader of economic recoveries. This trend in new home construction is a sign of positive economic growth.

Source: Bloomberg.com. Housing Starts Jump 15% for Four-Year U.S. High: Economy. October 17, 2012.

Additional:

(1) Source: Bankrate.com. U.S. Average Mortgage Rates. November 19, 2012.

(2) Source: finance.yahoo.com. The Home Depot, Inc. (HD). November 19, 2012.

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