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## June's Housing Starts Show An Unexpected Increase

By **Benton Ives-Halperin and Elizabeth Price**

From [The Wall Street Journal Online](#)

Housing starts increased 2.3% to a seasonally adjusted 1.467 million annual rate, after falling 3.4% in May to 1.434 million, the Commerce Department said Wednesday. Originally, Commerce reported May starts were down 2.1% at 1.474 million.

June starts were higher than Wall Street had predicted. A median forecast of 24 economists surveyed by Dow Jones Newswires was for a 1.6% drop to a 1.450 million annual rate. Starts, year over year, were 25.2% lower than the level in June 2006.

For the past six quarters, the housing industry has been a drag on U.S. economic growth. Many economists have suggested that the downturn is close to bottoming out as a downward correction in home prices, coupled with strong U.S. employment growth helps demand recover.

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However, U.S. home builders aren't confident the market is set to recover. The National Association of Home Builders index of sentiment for July, reported Tuesday, fell to its lowest level

since January 1991 amid worries over higher interest rates and problems in the subprime mortgage market.

"The bottom line is that the single-family housing market is still in a correction process following the historic and unsustainable highs of the 2003-2005 period," NAHB chief economist David Seiders said in a statement Tuesday. "Builders are actively trimming prices and offering buyer incentives to work down their inventories, but meanwhile there is a large supply of vacant existing homes on the market, and affordability problems persist despite efforts to attract buyers," Mr. Seiders added.

Rising foreclosures on mortgages extended to borrowers with thin credit histories during the boom, have some analysts worried that home prices have further to fall. Meanwhile, banks have become more reluctant to fund risky borrowers.

Wednesday's report showed building permits, an indicator of future activity, confirmed fears the market has further to fall. Building permits fell 7.5% to a 1.406 million annual rate in June, more than reversing a 4.3% gain in May. Economists had expected permits to drop just 2.6% to a rate of 1.48

million.

June single-family housing starts decreased 0.2% to 1.151 million. Construction of housing with two or more units rose 12.5% to 316,000; within that category, groundbreakings of homes with five or more units -- or multi-family -- were 12.9% higher.

Regionally, housing starts decreased by 2.4% in the Northeast and 3.7% in the Midwest. Construction increased by 9.0% in the West and 2.4% in the South.

Nationwide, an estimated 136,500 houses were actually started in June, based on unseasonally adjusted figures. An estimated 131,300 building permits were issued last month, also based on unadjusted figures.

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