

## Mortgage Corner

### September Housing Starts Sizzle

The housing market was still sizzling in September. Construction of new homes in the United States reaccelerated in September, climbing 3.4% to a seasonally-adjusted annualized rate of 2.108 million, the Commerce Department estimated Wednesday. This is following last month's record new and existing-home sales.

Estimated housing starts were at the highest level since February, and exceeded the 1.970 million annual pace expected by economists surveyed by economists. Building permits issued by local jurisdictions increased 2.4% in September to a seasonally adjusted annual rate of 2.189 million, the highest in 32 years.

Starts of single-family homes rose 2.6% to 1.747 million, while single-family building permits increased 4.4% to a record 1.749 million. Despite the disruption of two massive hurricanes, housing starts grew 6.9% in the South to 981,000. Starts increased by 1.9% in the Midwest and were flat in the Northeast and West.

Continued low mortgage rates and strong price appreciation have kept the housing market hot this year. The strongest appreciation rates have been with existing homes, as median new-home prices have been sliding. The supply of new homes is beginning to catch up to housing demand, in other words, and for sale inventories of new homes have crept up to a 4.7 month supply.

Industry groups are estimating another banner year for construction and sales, although some anecdotal reports indicate that some local markets are cooling. "With starts moving back up in September and the October homebuilders' survey rebounding after some recent moderation, there are few signs of any meaningful slowing at this point in residential construction," said Ted Wieseman, an economist for Morgan Stanley.

On Tuesday, the National Association of Home Builders and Wells Fargo said their monthly housing market index rose to 67 in October from 65 in September, restoring the level of confidence that existed before Hurricane Katrina hit.

Sales data for September will be released later this week. The government's housing data are subject to large sampling and other statistical errors. The government cautions that it can take up to five months for a new trend to be established in housing starts. Over the past five months, starts have averaged 2.063 million, up from 2.047 million a month ago.

Housing starts have been above 2 million for six months in a row and for 10 of the past 12 months. In 2004, a total of 1.956 million units were started.

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