

Single-family production sets record in 2004

Following a decline associated with unusually wet weather in November, housing starts bounced back in December, bringing single-family production to a record annual level in 2004. Furthermore, the backlog of unused permits rose in December, providing forward momentum for housing production starting off the new year.

Housing starts in December climbed 10.9 percent to a seasonally adjusted annual rate of 2.004 million, according to the Commerce Department's monthly report today on residential construction. A total of 1.953 million housing units were started last year, up 5.7 percent from 1.848 million starts in 2003.

"The nation's home builders continue to move forward to meet the strong housing demand that has characterized the marketplace for some time, and we

are confident that 2005 will be another excellent year for housing," said NAHB President David Wilson, a custom home builder from Ketchum, Idaho.

Wilson noted that the industry was helped last year by persistently low mortgage interest rates, and he said that ongoing gains this year in jobs and household income should help offset the slow but steady rise in mortgage interest rates that is anticipated as a result of Federal Reserve policy.

"We are geared up for another big housing year," Wilson said, "although we don't expect to be building at quite the break-neck pace of 2004."

Single-family production was up 13.1 percent in December to an annual rate of 1.678 million units, the second strongest monthly pace for all of 2004. The 1.608 million single-family homes

started in 2004, an all-time high, was 7.3 percent above the 1.499 million single-family units started in 2003.

Multifamily housing starts were up 0.6 percent in December, at a seasonally adjusted annual rate of 326,000; they were down a scant 1 percent for the year, slipping to 345,000 units from 349,000 units in 2003.

"Home building in December was absolutely solid, finishing up the year nicely after some softening in November that was related to bad weather," said David Seiders, chief economist of NAHB. "The level of unused building permits moved up last month, and that is a favorable sign for starts activity as we move forward this year." He added that builders polled in this month's NAHB/Wells Fargo Housing Market Index (HMI) expressed a high degree of optimism about housing mar-

ket conditions currently and over the next six months.

Seiders said he expected to see a modest decline, of roughly 3 percent to 4 percent, in housing starts this year as the result of higher mortgage rates, which are projected to average about 6.3 percent on fixed-rate loans, up from 5.8 percent last year.

Regionally, December starts were up 18.8 percent in the Midwest, to a pace of 379,000 units; 10.6 percent in the South, to 941,000 units; 7.9 percent in the West, to 516,000 units; and 5.7 percent in the Northeast, to 168,000 units.

For the year, starts were up 9.2 percent in the West, 8.3 percent in the South and 6.6 percent in the Northeast; they declined 4.8 percent in the Midwest, primarily reflecting a falloff in multi-family production.

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