

New-home building up for 5th month

Starts on single-family units hit highest level since October; apartment construction falls

By Alan Zibel

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WASHINGTON — Construction of single-family homes rose in July for the fifth straight month, edging up almost 2 percent to the highest level since last October, the government said Tuesday. Building permits climbed nearly 6 percent.

Each new home built creates about three jobs on average and generates about \$90,000 in taxes paid to local and federal authorities, according to the National Association of Home Builders.

With new construction up 37 percent from its low point this winter, the industry is expected to help the overall economy this quarter for the first time in 3½ years.

"Housing is no longer a drag," said Mark Vitner, a senior economist with Wells Fargo & Co. "That's a good thing."

Of course, the housing industry is mired in the worst recession since the Great Depression, and construction is still more than 70 percent from its 2006 peak, making the impact from hiring and spending on materials such as wood and concrete somewhat modest.

In addition, hammers are silent at construction sites for apartment buildings. For developers, it makes little sense to build with many vacant homes and condominiums available for rent. Apartment construction fell 13 percent

HOMES: Jobless rate could hurt market; tax credit extension sought

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from June to July.

That pulled the combined construction rate for homes and apartments down 1 percent to a seasonally adjusted annual rate of 581,000 units, from 587,000 in June. Economists polled by Thomson Reuters expected 600,000.

There are still several threats to the recovery of the U.S. housing market.

The unemployment rate, now 9.4 percent, could sur-

pass 10 percent, leaving more homeowners unable to pay their mortgages. Interest rates are still near historic lows but could rise, making homes less affordable. Foreclosures are still at record highs.

And July was the last month that most builders could start new homes and have them ready for buyers to qualify for a new tax credit. Buyers can save 10 percent on the price of a home, up to \$8,000, if they complete the purchase by the end of November.

Builders and real estate agents are pressing in Congress for that credit to be extended. If it isn't, sales could easily slump again.

"I'm not seeing a tremendous amount of good news on the job or economic front, so I do think it's important that the credit get extended," said Richard Dugas Jr., CEO of Pulte Homes Inc.

On Tuesday, Pulte completed its acquisition of Centex Corp. for \$1.53 billion in stock, becoming the largest home-

builder in the country.

One of the reasons for the purchase was Centex's focus on more affordable homes.

Since the housing bubble burst, many builders have shifted to smaller houses that can be sold at lower prices to woo first-time homebuyers. The median sale price for a new home was \$206,200 in June, almost \$30,000 cheaper than a year earlier.

More homebuyers also means more business to retailers like the Home Depot Inc.,

which Tuesday posted its first annual increase in quarterly sales in five years. Better still, the retailer saw improvements in Florida and California, two of its most important — and troubled — markets.

Sales of new homes have posted monthly increases since April. The Commerce Department is due to report Tuesday on July new-home sales numbers. Sales are expected to rise roughly 2 percent, according to economists surveyed by Thomson Reuters.