



# Popular Economics

*Promoting the Popular Understanding of Economics*

## **The Mortgage Corner**

### **Housing Starts Continue Decline**

Nationwide housing starts declined 10.2 percent in September as builders focused on reducing their inventories in the midst of continuing mortgage market travails, according to data released by the U.S. Commerce Department today. The majority of the downward movement was centered in the multifamily sector, where a significant uptick in starts had been registered in the previous month.

Builders' confidence in new single-family construction also declined to the lowest level since the National Association of Home Builders' Sentiment index was formed. The NAHB/Wells Fargo Housing Market Index (HMI) fell to 18. It was more than 50 last summer.

This was "...due to continuing problems in the mortgage market, substantial inventories of unsold units and the perceived effect that negative media coverage is having on potential buyers."

Overall housing starts fell to a seasonally adjusted annual rate of 1.19 million units, the slowest since March 1993's pace of 1.08 million units. Single-family production registered a 1.7 percent decline to a 963,000-unit rate, while multifamily production posted a 34.3 percent decline to a 228,000-unit rate.

"This report indicates that builders are taking the necessary steps to narrow the supply of unsold units on the market as buyer demand continues to be adversely affected by tightened lending standards and concerns about negative media reports on the housing market," said NAHB President Brian Catalde.

"While there's no question that the housing downswing continues to be played out in markets across the country, today's numbers show that builders are pulling back on production until sales improve," noted NAHB Chief Economist David Seiders. "This is exactly what our latest builder surveys have told us. We do expect some additional downward movement in housing production going into next year, at which point starts should begin to stabilize as sales turn upward in the second quarter."

Building permits, which can be an indicator of future building activity, also declined in September. Overall permit issuance fell 7.3 percent to a rate of 1.23 million units, with single-family permits down 7.1 percent to 868,000 units and multifamily permits down 7.7 percent to 358,000 units.

Regionally, where housing starts often display significant month-to-month volatility, the Northeast posted a 45.4 percent gain in September while the Midwest, South and West posted declines of 28.4 percent, 11.7 percent and 10.1 percent, respectively.

Building permits were also down in three out of four regions, with the Midwest being the only one to post an increase for the month. While that region registered a 3 percent gain, permit issuance was down 4.1 percent in the Northeast, 2.4 percent in the South and 23.3 percent in the West.

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