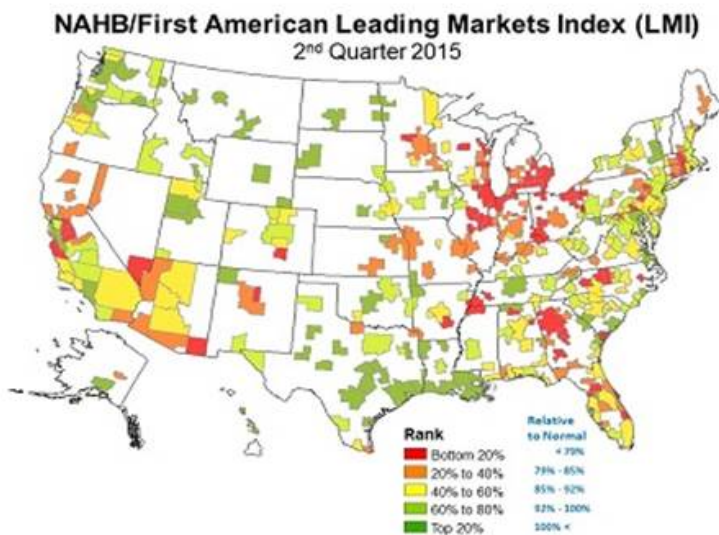


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**NAHB** National Association of Home Builders August 19, 2015  
David Crowe  
NAHB Chief Economist

## Builder Confidence, Single-Family Starts Rising



The most recent home construction data offer modest reasons to be optimistic, although risks remain. The August NAHB/Wells Fargo Housing Market Index continued its slow rise to a nine-plus-year high of 61, up one point from July. The index has been at 60 or more since June and above the tipping point of 50 since July 2014.

Components measuring current and future home sales also rose to or remained at heights not seen since late 2005. The current sales index rose one point to 66 and the expected sales component remained at 70 after rising to that level in July.

However, despite their rising levels of confidence, builders continue to face difficulty obtaining lots to build on and labor to build the homes. For example, according to the BLS Job Openings and Labor Turnover Survey and NAHB analysis, the number of open, unfilled construction sector jobs stood at 143,000 in June, only a slight decline from the cycle high set in May.

In July, Census estimates indicate that the pace of single-family starts was up 13%, as the recovery for home building continues. Single-family permits were down 1.9%, however. The rate of total housing starts was essentially flat in July due to a 17% decline for multifamily five-plus unit starts, from an



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extremely high rate in June (498,000 annual pace). The corresponding change for permits was down even more, 32.6%, due to the concentration of multifamily development in June.

Overall, the July starts report indicates a rebalancing of multifamily development, while continuing the modest but steady progress in single-family production. Rental housing will continue to enjoy strong demand as most newly formed households are unable or unwilling to buy a home. But single-family construction will also continue its modest improvement path as more existing home owners gain comfort in their own economic futures and accumulate greater home equity, which can be used to purchase a newly built home.

The NAHB/First American Leading Markets Index (LMI) provides geographic detail concerning recent market developments. For the second quarter, the LMI increased one basis point to .92. The index measures proximity to a normal economic and housing market with three components: single-family housing starts, employment and home prices. A value of 1 means the market (or country) is back to the last levels of normality.

Slightly more than half (54%) of the metro areas measured increased their LMI scores from the first quarter to the second and 66% improved from the same quarter last year. About one-fifth of the 364 metro areas measured have a LMI value of 1 or better.

Single-family housing starts lag the most with an average score across all markets of .49 and the national component index of .46, or less than halfway back to normal. Only 26 markets are fully recovered in terms of single-family permits.

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Richard P. Vlosky, Ph.D.  
*Director, Louisiana Forest Products Development Center*  
*Crosby Land & Resources Endowed Professor of Forest Sector Business Development*  
Room 227, School of Renewable Natural Resources  
Louisiana State University, Baton Rouge, LA 70803  
Phone (office): (225) 578-4527; Fax: (225) 578-4251; Mobile Phone: (225) 223-1931  
Web Site: [www.LFPDC.lsu.edu](http://www.LFPDC.lsu.edu)



**President-Elect, Forest Products Society; President-Elect, WoodEMA i.a.**

