

# U.S. Housing Starts Rise 0.2% as Sector Steams Forward

By Kate Davidson



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A roofer works on a home under construction in the Briar Chapel community in Chapel Hill, N.C., in June. U.S. home building ticked up in July, the Commerce Department said Tuesday. Photo: Associated Press

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WASHINGTON—U.S. home building ticked up in July thanks to a surge in construction of single-family homes, the latest sign of momentum in the housing market.

U.S. [housing starts rose 0.2%](#) from a month earlier to a seasonally adjusted annual rate of 1.21 million last month, the highest since October 2007, the Commerce Department said Tuesday. That is the third time in four months the figures reached a new high since the recession began.

Starts on single-family units, which exclude apartments and represent almost two-thirds of the market, jumped 12.8% to their highest level since December 2007. Multifamily units, including apartments and condominiums, fell 17%.

New applications for building permits, a bellwether for construction in coming months, declined 16.3% to 1.1 million.

“There is a lot going on in this set of numbers, but the bottom line is an explosively strong housing sector,” Amherst Pierpont Securities Chief Economist Stephen Stanley said in a note to clients.

Economists surveyed by The Wall Street Journal had expected July housing starts to reach a rate of 1.19 million, and 1.25 million building permits to be issued.

## U.S. Economy

Home-construction figures are volatile and often revised. Tuesday’s report showed new-home construction rose 12.3% in June from the prior month, compared with an initially reported 9.8% jump.

The pickup in June was driven entirely by construction of multifamily housing units. That was due in part to a surge in activity in New York City just before tax incentives for multifamily developments were scheduled to expire. Thus, many economists expected new applications for permits would plunge in July.

Construction levels for new homes remain historically low, though there are continued signs of growing underlying demand. Starts were 10.1% higher in July than a year ago, and permits were up 7.5%.

“Construction activity is picking up across the country, which we take as positive signal about the health of the U.S. consumer and overall economy,” Barclays economist Jesse Hurwitz said in a note to clients.

Single-family construction generally provides a bigger boost to the economy. After Tuesday’s report, Barclays boosted its forecast for third-quarter growth by 0.1 percentage point, to 2.7%.

At David Weekley Homes, a closely held, Houston-based builder that constructed roughly 3,000 homes in 12 states last year, construction starts in July were up 10% from a year earlier. That matches Weekley’s year-to-date growth of 10% in comparison to this time last year. The builder’s pace was slower earlier this year, when constant rain soaked Texas, but it has picked up in the second quarter, Chief Executive Officer John Johnson said.

“I think the economy continues to improve slightly, and consumer confidence is improving modestly,” Mr. Johnson said. “But there still is, I think, a concern out there about the future of the economy and [rising] interest rates.”

Other recent data suggest the housing sector, which has plodded along during this expansion, is quickly gaining ground.

A forward-looking gauge of U.S. home purchases slipped in June, after hitting its highest level in more than nine years in May, the National Association of Realtors said last month. A separate report from the industry group showed [sales of previously owned homes](#) increased 3.2% in June to a seasonally adjusted annual rate of 5.49 million, the strongest since February 2007.

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U.S. home builders also appear more optimistic this month. The National Association of Home Builders’ [confidence index rose](#) to its highest level since November 2005, to a reading of 61 in August, the group said Monday. A reading above 50 means most builders generally hold a favorable view of the market for newly built, single-family homes.

The gulf between builder sentiment, which has skyrocketed, and slowly rising single-family starts has grown since 2011. Tuesday’s report suggests activity in the single-family sector could finally be catching up, though the figures have a margin of error of 9.8%.

The July increase “won’t be sustained if new home sales don’t rise over the next few months, but the NAHB survey

suggests this is a decent bet,” Pantheon Macroeconomics Chief Economist Ian Shepherdson said in a note.

Tuesday’s report showed housing starts climbed in the Midwest and South and fell in the Northeast and West.

Federal Reserve Chairwoman Janet Yellen told lawmakers last month that population growth is creating a need for more housing, but activity in the housing sector “seems likely to improve only gradually.”

Fed officials appeared to upgrade their assessment of the housing recovery this summer in the statements following their policy meetings. After months of characterizing the housing recovery as “slow,” they said the sector showed “some improvement” in June and “additional improvement” in July.

—Kris Hudson contributed to this article.

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