

## **U.S. home starts in August seen up at 600,000**

By Nancy Waitz  
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- \* What: U.S. August housing starts and building permits
- \* When: Sept. 17, 8:30 a.m. (1230 GMT)
- \* Economists' Median forecast:
  - Starts -- 600,000 units, up from 581,000 units
  - Permits -- 580,000 units, up from 564,000 units

WASHINGTON, Sept 15 (Reuters) - U.S. housing starts are seen to have risen modestly in August, bolstered by a first-time homeowners's tax credit, according to economists polled by Reuters.

Housing starts probably increased to a seasonally adjusted annual rate of 600,000 units last month, after falling to 581,000 units in July, according to a median forecast of 71 economists.

The housing industry is considered a key part of the economy, because in addition to providing construction jobs it has spinoff benefits such as an increased furniture and appliance sales.

"The recovery in the housing market, with a steady rise in housing starts, should start to increase the need for additional workers," Barclays Capital wrote in its weekly housing monitor. "As such, we expect residential payrolls to bottom by year-end but for nonresidential jobs to continue to contract through most of next year," Barclays wrote.

Builders are still sidelined for the most part as they wait for inventories of existing and new homes to shrink further, analysts said.

Permits for future construction, an indicator of builder confidence, are forecast to have risen to an annual rate of 580,000 units in August after falling to 564,000 in July, according to the poll.

**"I think 2010 is going to be the beginning of a strong run for the builders," said Steve Hagenbuckle, founder and managing principal of TerraCap Partners in New York. "You will start seeing it Q1 but will really engage in Q2 and Q3."**

**Inventories of existing homes and new construction will be at all-time lows, Hagenbuckle said. "Basically we are looking at a shortage of housing in the United States starting in Q3 and Q4 2010."**

The Commerce Department will release the Housing Starts report for August at 8:30 a.m. (1230 GMT) on Thursday.

The following is a selection of comments from economists:

#### IHS GLOBAL INSIGHT

Forecast: Starts -- 610,000 units

Permits -- 600,000 units

"Based on recent gains in single-family permits, we expect single-family starts to post another strong increase. We are expecting a gain in multi-unit starts only because July's number, which equaled an all-time low, cannot fall much further. Single-family permits have risen 5 percent or more for four straight months. For August, we are expecting a similar gain. Multi-family permits fell to an all time low in July (data start in 1959). Mathematically, they cannot fall much further, and for August we project a small gain."

#### MOODY'S ECONOMY.COM

Forecast: Starts -- 600,000 units

Permits -- 600,000 units

"We're more hopeful that the improvement in single-family starts will be reflected in the more forward-looking measures. Mortgage rates moved down in late August and early September and this has already had some effect on demand as mortgage purchase applications reached a year-to-date high. Increased optimism on the economy should keep sales moving upward, allowing builders to increase construction and still work off inventories."

#### RBS

Forecast: Starts -- 590,000 units

"Homebuilders are attempting to take advantage of the federal homebuyers' tax credit, which is available to consumers who close on a home before Nov. 30. Given the lag time between groundbreaking and the actual closing, homebuilders ramped up starts in the spring and early summer in order to ensure that sales close by the expiration of the credit. Thus, it remains to be seen whether the recent strength in the single-family sector can be maintained in the fall. The new home inventory

situation has improved considerably in the last year."