

JUNE SINGLE FAMILY CONSTRUCTION SPENDING GROWS FOR FIRST TIME IN 40 MONTHS

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For the first time in more than three years, spending for single-family construction grew in June on a monthly basis, increasing 2.4% compared to May. This translates into a seasonally adjusted level of \$93.5 billion, which is 51.1% below June 2008's level, according to figures released Monday by the U.S. Census Bureau.

It represents the first increase in this category in 40 months, according to Patrick Newport, U.S. economist of IHS Global Insight, who predicts single-family construction will continue to grow in the months to come.

Overall, construction spending increased slightly in June, rising 0.3% to a seasonally adjusted level of \$965.7 billion compared to May. Those June figures stand 10.2% below the same month one year ago.

In terms of housing, Newport found less to like in the multifamily numbers, which dropped 7.2% compared to the previous month to a seasonally adjusted level of \$30.6 billion in June. "This market is being hit on two fronts," Newport said. "Tight credit and overbuilding are hammering multifamily housing construction. As a result, new construction has nearly ground to a halt ... One consoling note about June's dreary numbers is that they cannot sink much further."

The continued softness in home values that has been pressuring new-home builders is also affecting their multifamily counterparts. "The rental market is also being hurt by falling house prices, which is swaying renters into become homeowners," Newport wrote. "As a result, rental vacancy rates are going up "indeed, the national average jumped 0.6 percentage point to 10.6% in the second quarter" a record high" since the government began collecting such data in 1956.

For those looking for the stimulus' effect, Newport pointed to public construction, which grew for the fourth month in a row. In June, this category increased 1% to \$321.7 billion. "Spending on highways and streets, however, increased only 0.2%, and has been flat since the beginning of the year, indicating that the stimulus bill is having a marginal impact on infrastructure spending," Newport wrote, adding that "the lion's share of infrastructure spending associated with the stimulus package will take place in 2010 and 2011."

Thanks,

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