

DAILY ECONOMIC COMMENT

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Lucky Day for US Housing

Maybe it was the lucky spirit of St. Patrick. Or maybe – just maybe – it was a first sign that the US housing market could be turning around. Whatever the case, it was a welcome economic report.

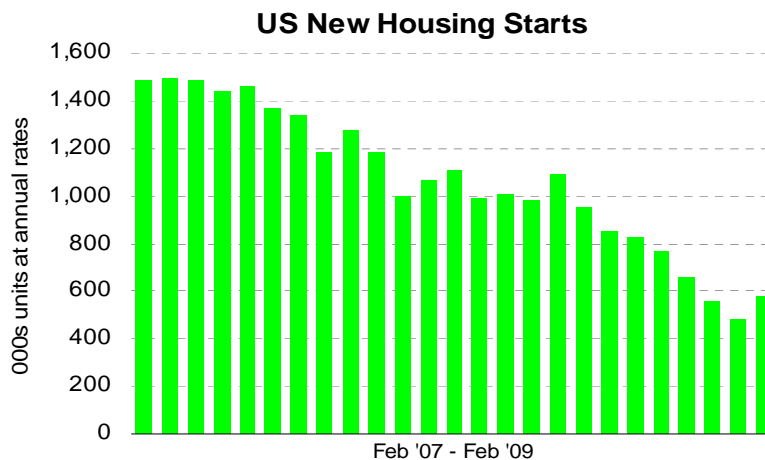
Construction on a total of 583,000 American homes got started last month, a 22% rise from January. That broke the longest streak of declines in 18 years, and gave economists a shot of optimism that perhaps the pace of the economy's recession spiral may be easing.

The US Commerce Department reported an 82% jump in condominiums, apartments and townhouses (which are generally lower in value than single detached houses). As well, it was noted that the surge in starts was influenced by warmer weather.

Housing starts are being watched very carefully as a key indicator of a return to economic health in the US. It was the US housing sector that (thanks to a rash of low-cost borrowing and sub-prime mortgage lending in the middle years of this decade) became far overbuilt. As a result, housing starts have collapsed to record lows in recent months (see graph).

The number of existing homes on the market and the record level of mortgage foreclosures are acting to prolong this current recession. Economists are expecting that it could be a very long time until the housing market returns to health.

It is, of course, far too early to suggest that the housing market in the US is back in the game. But this morning's housing starts report did suggest that there is, indeed, a light at the end of this very dark tunnel.



Source: US Department of Commerce, March 17, 2009

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