

Is regional residential construction rebuilding? - SouthPoint

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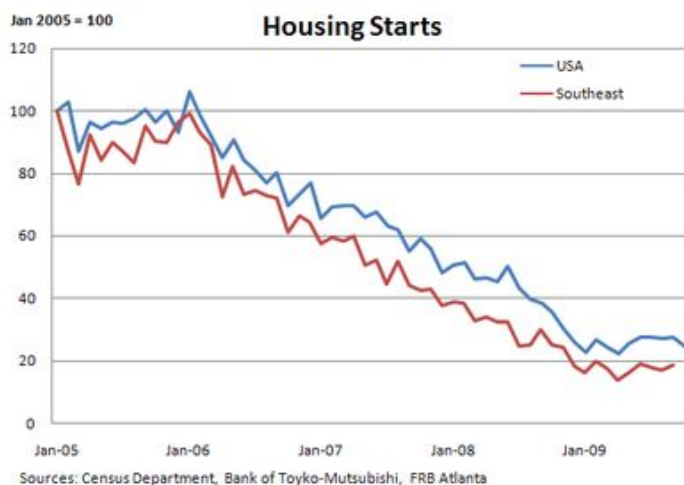
Is regional residential construction rebuilding?

The short answer is no, regional residential construction is not rebuilding. After a hopeful spring and summer that saw new home construction cease its decline and begin to tick up, recent data show the rebound has stalled. Homebuilders polled in the six states of the Atlanta Fed district (Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee) indicated that new construction activity remained weak and that their expectations for future construction was tepid at best.

National housing starts fell 10.6 percent from September to October, according to the [Census Department's latest housing construction report](#). Single-family housing starts declined a monthly 6.8 percent in October to a level below the average of the third quarter of 2009, suggesting a possible stalling of any rebound in the housing market. However, the level of single-family starts remains above that of the first half of the year.

Consistent with this impression of some stalling in the modest recovery in single-family housing, the [National Association of Homebuilders Housing Market Index](#) remained at very low level of 17 in November, indicating that homebuilders still see conditions as very poor (the "breakeven" level of the index is 50).

Data for new home starts in the region follow the national trend's path although the decline has been a bit steeper. The chart below shows the level of new residential construction starts from January 2005 through October 2009. The data are normalized to January 2005 = 100.



Many of our contacts in the housing industry conveyed optimism that extending the first-time homebuyer tax credit into next year and expanding eligibility would have a positive impact on construction activity. However, they also expressed concern that the number of qualified potential buyers for new homes was not increasing. While it seems clear that residential construction has stopped declining, we cannot yet say that regional construction is

rebuilding.

By [Michael Chriszt](#), an assistant vice president in the Atlanta Fed's research department

November 19, 2009 in [Housing](#), [Southeast](#) | [Permalink](#)

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