

Housing Starts

As widely expected, housing starts fell 7.9% in February to 2.12 million (SAAR). The January starts were upwardly revised to 2.3 million which was a 15.8% increase over the December numbers. The pullback was due primarily to the 30% drop in the volatile multi-family sector while single-family fell a more modest 2.3% to 1.8 million SAAR. Permits, which are less affected by weather, were down a more modest 3.2%.

U.S. Housing Starts				
Millions - Seasonally Adjusted Annual Rate (SAAR)				
U.S. Totals	Feb	Jan (rev.)	% Change	
Starts	2.120	2.303	-7.9%	
Permits	2.145	2.216	-3.2%	
Single Family				
Starts	1.800	1.843	-2.3%	
Permits	1.639	1.690	-3.0%	
Multi Family				
Starts	0.320	0.460	-30.4%	
Permits	0.506	0.526	-3.8%	
Starts and Permits By Region:				
NE	Starts	0.182	0.238	-23.5%
	Permits	0.203	0.213	-4.7%
MW	Starts	0.326	0.364	-10.4%
	Permits	0.372	0.388	-4.1%
S	Starts	1.041	1.172	-11.2%
	Permits	1.015	1.078	-5.8%
W	Starts	0.571	0.529	7.9%
	Permits	0.555	0.537	3.4%

Analysis & Outlook: The trends are still very positive for housing. For example, Bob Walters (Chief economist for Quicken Loans) tell us that the 12 month moving average for starts is 2.0-2.1 million SAAR—a good number. He also went on to say that as long as jobs are plentiful and interest rates low, the housing trends will remain solid. The fixed rate mortgage, although moving up to 6.37%, remains attractive by historical standards. The job picture continues to improve with the unemployment rate dropping below 5% and incomes still increasing faster than inflation. The recent CPI report tells us that inflation is “tame” with the exception of volatility in the oil markets. Inflation should remain tame as long as excess manufacturing capacity (world basis) continues. Globalization trends mean more intense global competition—outsourcing, for example, will continue to drive labor costs down. Housing is slowing, but most analysts don't expect a bust. Slowing signs are growing: (1) the inventory of new homes on the market is 530,000, a 5.2 month supply at current sale rates; (2) builders are starting to offer “deals”; (3) price increases are moderating (actually falling in some areas); (4) sellers are seeing fewer “multiple offers”; (5) mortgage delinquencies are increasing; and (6) lending standards are tightening. As long as the “wild cards” don't come into play (dollar free fall, terrorist attacks on home soil, bird flu pandemic, etc.), housing should remain healthy in 2006—single-family will pull back some while multi-family is expected to make modest gains. Things to watch: oil prices; the dollar; inflation trends; and the job market. Most analysts don't expect any serious problems, but prudent planners need to consider various scenarios and be prepared for surprises. **SBC**

This housing starts report is provided to **SBC** on a monthly basis by **SBC Economic Environment** columnist Al Schuler. Visit www.sbcmag.info for more economic news.



Builder Banter

Wood Reinforced with Fiberglass Offers Environment-Friendly High-Strength Material

Wood reinforced with fiberglass potentially offers “green”—or environment-friendly—products, according to a life-cycle inventory (LCI) that investigated the energy consumed and environmental emissions produced during its premanufacture and manufacturing stages. The analysis was conducted by researchers at ERG, Inc., of Lexington, MA, and reported in the *Forest Products Journal* in June 2005.

The reinforced wood door system analyzed in the study, for example, uses patented technology developed at the USDA Forest Service Forest Products Laboratory (FPL) in Madison, WI. The fiberglass reinforcement, primarily at joints, hinges and latches, improves the strength and durability of the doors, making them suitable for use in some residential applications where increased security is a primary concern.

The life-cycle inventory looked at energy consumption and emissions involved in acquiring raw materials, such as harvesting lumber or mining iron ore, and in manufacturing a typical door. The study did not include distribution, product use or disposal.

The LCI analysis quantifies 44 atmospheric emissions (including five greenhouse gases), 32 waterborne wastes, energy consumption and solid-waste generation associated with the pre-manufacturing and manufacturing states of a door's life cycle.

An additional environmental benefit from using wood-fiberglass doors is the fact that the doors can be manufactured using low-grade, small diameter timber.

More information is available at FPL's web site: www.fpl.fs.fed.us.

Builder Confidence Virtually Unchanged In March

A one-point decline in the National Association of Home Builders/Wells Fargo Housing Market Index (HMI) for March indicates that housing demand and sales are gradually returning to a sustainable pace that is right in line with our forecasts, said NAHB on March 15.

“Today's HMI provides the latest evidence of a predicted and orderly cooling process for the nation's single-family new-home market, which easily hit record highs in 2005,” said NAHB President David Pressly, a home builder from Statesville, NC.

Noting that the confidence gauge has remained within a narrow two-point range for four consecutive months following a retreat from its peak in mid-2005, NAHB Chief Economist David Seiders attributed March's slight downshift to eroding affordability conditions as well as a gradual withdrawal of investor demand in some areas.

“Rising interest rates and high rates of home-price appreciation have raised the bar for homeownership to beyond what some families can reach,” he noted. “Meanwhile, a retreat of short-term investors from certain markets is helping restore equilibrium between supply and demand.”

[Source: NAHB Press Release, 3/15/06, www.nahb.org]

Housing Market Index 2005-06 (HMI)

The HMI is a weighted, seasonally adjusted statistic derived from ratings for present single family sales, single family sales in the next 6 months and buyers traffic. The first two components are measured on a scale of “good” “fair,” and “poor,” and the last one is measured on a scale of “high,” “average” and “low.” A rating of 50 indicates that the number of positive or good responses received from the builders is about the same as the number of negative or poor responses. Ratings higher than 50 indicate more positive or good responses.

Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan06	Feb	Mar
67	70	72	70	67	65	68	61	57	57	56(r)	55

Source: National Association of Home Builders

The Future of Outdoor Lighting

WW Creative Solutions Inc. is an innovative technology company based in the San Diego area. Headed by Tim and Victoria Woodward, this company develops futuristic products for home and industrial use that not only enhance and change life as we know it, but are also energy efficient.

“Our company offers a family of innovative products,” says Victoria. “The recent and dramatic rise in energy costs has created demand for products that reduce energy usage and dependency on non-renewable sources. Plus, saving energy is just good business.”

This company's newest product is the Solar Energy Lighting Brick and Road Marker system. The bricks are extremely low-maintenance because they automatically turn on and off at dusk and dawn and don't require batteries because they are powered by solar energy charging capacitors.

Available in five colors, the bricks are as easily installed as a regular brick or tile, making arrangement possibilities and decorative effects endless. These modular, self-contained lighting devices can be used for decorative use in backyards (lighting for pathways, pool decks, patios, driveways) and for commercial use for traffic flow purposes (road stripping, taxiways, private runways, crosswalks, marking intersections).

[Source: E-News web site. For more information, visit www.creativesolutions.com.]

Coming Attractions: Futuristic Features

No longer are remote controlled homes an idea only seen in cartoons or read about in fantasy books. We are closer than ever to having homes comparable to the futuristic living style of “The Jetsons.” Although high-tech features such as remote controlled lighting, heating and window blinds are priced high, the prices are heading down, which will soon make these options more readily available to the general public.

“Homes of the future will be more advanced in terms of both technology and comfort,” say Robin Burrill, Chief Executive Officer of Curb Appeal Renovations of Keller, TX, and Mark Brick, President of B&E General Contractors of Glendale, WI. Trends that they see becoming more common are entertainment systems in all rooms, personal wine cellars, prep kitchens to prepare food apart from the “show” kitchen, outdoor kitchens, cylindrical vacuum-tube elevators, elegant spa bathrooms, radiant flooring and more creative methods of lighting (including automated lighting).

[Source: www.housingzone.com]

U.S./Mexican Cement Accord Paves Way for Free Trade

An accord signed on March 6 by the U.S. and Mexico that will dras-

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tically lower duties on Mexican cement imports and eventually result in free trade between the two nations will help to increase much-needed supplies of Mexican cement to the U.S. market, according to the nation's home builders.

“More than 30 states reported shortages of cement in 2005. This agreement is vital to meet consumer demand, which will only grow in the coming year as the Gulf Coast rebuilding effort moves into high gear following last year's devastating hurricane season,” said David Pressly, president of the National Association of Home Builders (NAHB) and a home builder from Statesville, NC.

[Source: NAHB Press Release, 3/6/06, www.nahb.org.] **SBC**

Email ideas for this department to builderbanter@sbcmag.info.

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6300 Enterprise Lane • Suite 200 • Madison, WI 53719
608/310-6706 phone • 608/271-7006 fax
www.sbcmag.info • admgr@sbcmag.info