Residential Construction Outlook

Overview

Recent economic data seems to give cause for home construction optimism. The economy may be gradually gaining strength. If recent job gains and economic growth can be sustained, it will translate into a better housing sales outlook for 2012 than previously expected. The potential of stronger than expected home sales will be measured against dismal recent performances and result in large growth rates. Significant structural issues still face the housing market. Housing starts, as a result, are not expected to accelerate with sales. Even with the potential of stronger job creation, strong foreclosure activity will continue to depress prices and bloat inventory, leaving no signal to single-family homebuilders to accelerate activity during 2012.

Total housing starts are expected to reach 650,000 units in 2012, reflecting a meager gain over 2011 levels. The gain is heavily weighted toward growth in multifamily construction. Similar gains are expected for most of 2013. Stronger growth in homebuilding is not expected to materialize until 2014.