

Housing starts shoot up in July

By JOHN D. MCCLAIN
AP News Features

WASHINGTON (AP) — Housing starts shot up 6.7 percent in July, the fourth straight monthly advance and the biggest in 10 months, as builders sought to meet buyer demand strengthened by lower mortgage rates.

Construction advanced in both the South and West, which offset declines in the Midwest and Northeast.

The Commerce Department said today that starts totaled 1.38 million at a seasonally adjusted annual rate, up from a revised 1.29 million in June. The June rate initially was estimated to be 1.26 million.

The jump in July was the largest advance since builders began

new construction at a 14 percent annual rate in March 1994.

The department also revised the May rate to a 1 percent gain, rather than a 0.4 percent loss. Starts had risen 2.5 percent in April following a 6.5 percent drop in March.

The July increase was more than twice the 3 percent increase that analysts had expected as builders boosted construction to keep up with sales activity. Sales of both new and existing homes increased in both May and June.

Thirty-year, fixed-rate mortgages averaged 7.51 percent in July, well below the 9.15 percent rate in January 1995.

The monthly payment on a \$100,000 mortgage with a 7.5 percent interest rate is \$699, while

the payment on the same loan with a 9 percent rate is \$805 — a difference of \$106.

After rates jumped above 9 percent late last year, sales and starts began to soften. Despite the recent rebound, starts during the first seven months of 1995 remained 9.3 percent below those of the same period of 1994.

But applications for building permits, often a barometer of future activity, suggested starts will continue to increase. They jumped 5.3 percent in July, to a 1.34 million rate, the fourth month without a loss. The advance was the largest since a similar 5 percent gain in December 1994.

Single-family starts, which are particularly sensitive to interest-

rate changes, surged 6.8 percent in July, to a 1.10 million rate, after a 4.5 percent increase a month earlier. Single-family homes represent about 80 percent of total starts.

Construction of new apartments and condominiums rose 6.5 percent to a 280,000 rate following a 10.5 percent drop in June.

Regionally, the South posted a 15.5 percent increase in starts, to a 656,000 rate, the largest advance since a 15 percent gain in December 1993. Starts were up 2.2 percent in the West, to a 327,000 rate.

But they slipped 4.8 percent in the Northeast, to 118,000, and 0.7 percent in the Midwest, to 279,000.

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