Work began on more U.S. homes in September, indicating gains in residential construction will help bolster economic growth.

Housing starts climbed 6.3 percent to a 1.02 million annualized rate from a 957,000 pace in August, the Commerce Department reported today in Washington. The reading was in line with the median estimate of economists surveyed by Bloomberg which projected 1 million. Work increased on multifamily and one-family homes.

The drop in mortgage rates in recent weeks will probably underpin sales, giving builders reason to take on more projects. Sustained job gains that fuel faster wage growth would help give the market an additional boost that would include more first-time home buyers.

“The trend in starts continues to be up,” said David Berson, chief economist at Nationwide Insurance in Columbus, Ohio. “As the job market’s gotten better, as the mortgage rates have remained low and in the last week gone even lower, the underlying demand for single-family homes has improved.”

Stocks climbed, trimming this week's decline, as earnings beat estimates (NHSPSTOT) and investors speculated that central banks will support economic growth with more stimulus. The Standard & Poor's 500 Index rose 0.9 percent to 1,878.92 at 9:43 a.m. in New York.

Estimates for September starts in the Bloomberg survey of 76 economists ranged from 955,000 to 1.1 million after a previously reported 956,000 rate in August.

**Shares Rally**

Stock-index futures rallied on speculation central banks will support economic growth with more stimulus, while Morgan Stanley and General Electric Co. reported better-than-estimated profits. The contract on the Standard & Poor’s 500 Index expiring in December advanced 1.3 percent to 1,874.6 at 8:48 a.m. in New York.

Permits (NHSPATOT) for future projects also increased, rising 1.5 percent to a 1.02 million annualized pace and pointing to a sustained pace of construction. They were projected to climb to 1.03 million, according to the Bloomberg survey median.
Construction of multifamily projects such as condominiums and townhomes jumped 16.7 percent to an annual rate of 371,000. Work on single-family properties rose 1.1 percent to a 646,000 rate in September from 639,000 the prior month.

By region, construction surged 13.9 percent in the West and 5.3 percent in the Northeast. Starts were up 4.2 percent in the South and 3.5 percent in the Midwest.

**Builder Confidence**

Today's figures stand in contrast to a report yesterday showing builder confidence dropped in October to a three-month low after reaching its highest level in nine years the previous month. Sentiment eased in all four U.S. regions, the National Association of Home Builders/Wells Fargo gauge showed.

Cheap borrowing costs will probably help underpin the market. The average 30-year, fixed-rate mortgage fell to 3.97 percent last week, the lowest since June 2013, according to Freddie Mac data. In November 2012, the rate fell to 3.31 percent, the lowest in figures back to 1971.

After adding to gross domestic product through much of 2013, residential construction has been uneven this year. Homebuilding contributed 0.27 percentage point to the 4.6 percent annualized gain in the economy in the second quarter. It subtracted from GDP in the previous six months.

Some lenders, including San Francisco-based Wells Fargo & Co., have tempered their outlook for an industry that hasn’t completely healed from the downturn that brought on the last recession.

**Not Complete**

“While the residential real estate market has definitely gotten better, which is good for the U.S. economy, it has not fully recovered,” Chief Executive Officer John Stumpf said on an Oct. 14 earnings call. “I believe there are several factors holding the housing market back from a complete recovery,” including slow household formation, elevated student debt levels, weak inventories and still-tight credit, he said.

Some of the ingredients for a pickup in the housing market remain in place. The economy has added an average 227,000 jobs per month through September, on pace for its best performance since 1999. The unemployment rate has fallen to 5.9 percent from 6.7 percent at the end of last year.

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