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Will Federal Reserve Increases Impact Residential Construction?

CONSTRUCTION, REAL ESTATE
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In recent years, the residential construction industry has shown great strength not only due to the demand for housing, but also because of consistently low interest rates. With the Federal Reserve raising interest rates and potential further increases to come, what does that mean for the housing market and, in turn, residential construction?

Contrary to popular belief, rising interest rates actually may not signal a downturn in the housing market and residential construction. According to some experts in the industry, housing demand still remains high due to the low levels of inventory and production that were borne of the recession in the late 2000s. In addition, increasing wages and low unemployment levels over the past few years have offset the impact of increasing interest rates and higher construction costs.

According to the federal government, new home sales in May were better than anticipated, and corresponding gains were noted at construction and home-improvement stores like Home Depot and Lowe's. For those who were concerned about facing construction issues due to a forthcoming downturn in the housing industry, recent results point to a healthy and stable market.

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