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applications to build increased, suggesting residential construction is on track to help fuel economic growth.

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By Augusta Saraiva – Bloomberg News (via TNS).

U.S. housing starts unexpectedly surged in May by the most since 2016 and applications to build increased, suggesting residential construction is on track to help fuel economic growth.

Beginning home construction jumped 21.7% to a 1.63 million annualized rate, the

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responding to limited inventory in the resale market, have grown more upbeat as demand firms, materials costs retreat and supply-chain pressures ease.

The housing starts data will feed into economists' estimates of home construction's impact on second-quarter gross domestic product. After the report, the Atlanta Fed GDPNow forecast calls for residential investment to add slightly to gross domestic product. Homebuilding last contributed to growth in the first quarter of 2021.

At the same time, elevated mortgage rates are crimping affordability, suggesting limited momentum in housing demand.

The increase in starts from a month earlier was the biggest since October 2016 and reflected gains in three of four U.S. regions. Starts of apartment buildings and other multifamily projects jumped more than 27%.

The number of homes completed increased to a 1.52 million annualized rate. The level of one-family properties under construction were little changed at 695,000.

Existing-home sales data for May will be released on Thursday, while a report on new-home purchases is due next week.

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