

Housing projects nosedive

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WASHINGTON - The nation is on track to build fewer homes this year than at any time since the end of World War II, adding to the woes of an economy that analysts said Friday has almost certainly entered a recession.

While the economic outlook darkened even further with bad reports on layoffs and consumer confidence, it was one of the quietest days since the financial meltdown began a month ago. [Wall Street's](#) tumultuous week turned out to be its best in five years.

The [Dow Jones](#) industrial average lost 127 points Friday but turned in the strong week because of two huge days of gains - a record 936-point jump on Monday and an increase of 401 points Thursday.

Friday was still marked by the huge swings that have become typical lately. At various points the Dow was up nearly 300 points and down nearly 250, and it finished with a triple-digit move for the 22nd time in 25 trading sessions.

A monthly survey by the National Association of Home Builders showed sentiment among home builders hit a record low in early October.

David Seiders, chief economist for the group, said builders are being hit by a double whammy from the financial turmoil: It's harder for them to get loans to pursue new houses, and more difficult to sell those they do build.

He forecast that builders will keep slashing production in coming months, with construction starts for new homes and apartments totaling just 936,000 this year, the lowest level since 1945.

"The builders are telling us that the financial crisis is really hurting because people justifiably have no idea where things are going," Seiders said.

Before the markets opened, President Bush went to the headquarters of the U.S. [Chamber of Commerce](#) to say that the \$700 billion financial rescue package was "big enough and bold enough to work."

But he cautioned that it would take time to unlock [credit](#) markets.

Adam Levitin, an associate professor at Georgetown University Law School, said that even with the government's injection of billions into the banks, the high debt loads carried by consumers and shortage of creditworthy borrowers could continue to chill

lending.

"Who's going to lend to GM right now?" Levitin said at a conference organized by the American Bar Association. He also asked what banks would lend money to homeowners with troubled mortgages.

Analysts said new data released Friday showed it's probably too late for the economy to avoid a recession.

Many of them said they now had recessions in their forecasts, believing that the overall economy, as measured by total domestic production, probably shrank in the July-to-September quarter, dragged lower in part by the continued plunge in housing.

"I don't think there is any ambiguity with respect to whether we are in a recession," said Mark Zandi, chief economist at Moody's Economy.com. "I think it actually started at the end of last year, and because of the financial panic we are going through now, it is likely to last another year."

Other economists said they were looking for at least three consecutive quarters of contraction, reflecting in part the fact that consumers, who account for two-thirds of total economic activity, are showing the strains of the biggest upheaval in the financial sector in 70 years.

A new University of Michigan/Reuters survey showed consumer confidence plunged in early October to its second-lowest level in the past 28 years.

"Concerns about falling employment, incomes and wealth have overshadowed relief from lower energy prices," said Sara Johnson, an economist at Global Insight, a Lexington, Mass., forecasting firm.

The Commerce Department said Friday that construction of new homes and apartments dropped by a bigger-than-expected 6.3 percent in September to an annual rate of 817,000 units, the second weakest performance in government statistics dating back to 1959. The only weaker monthly showing occurred in January 1991, when the U.S. was in a recession and going through a similar painful housing correction.

In a bleak sign of future construction, applications for new building permits fell a sharp 8.2 percent to an annual rate of 786,000 units, the weakest level in more than 25 years.

The government also sharply revised lower its construction data for July and August. That was after dismal news earlier this week that retail sales fell by 1.2 percent in September.

Influential billionaire investor Warren Buffett said in an opinion piece in The New York Times that he sees opportunity in the Wall Street chaos. He's been moving his personal investments from safe Treasuries into U.S. stocks.

"To be sure, investors are right to be wary of highly leveraged entities or businesses in weak competitive positions," Buffett wrote. "But fears regarding the long-term prosperity of the nation's many sound companies make no sense."

The market eventually will turn around. "So if you wait for the robins, spring will be over," he said.

On the housing front, while the sharp cutbacks in production will help reduce huge inventories of unsold homes, the problem is that rising levels of foreclosures are dumping more homes on the already glutted market.

Zandi said he believed that home prices, which have already fallen by 20 percent, will fall by another 10 percent and will not stabilize until the middle of next year.

How this will play at Ponte Vista is still unknown, except to probably Bob, Allen, and the two gentleman who have been claimed to be representing Credit Suisse in its dealings concerning Ponte Vista.