



## New home construction falls to 1991 levels

Report more evidence nation is struggling with a weak economy

**The Associated Press**

updated 12:45 p.m. ET, Fri., Oct. 17, 2008

Construction of new homes plunged by a bigger-than-expected amount in September as builders slashed production yet again, putting the country on track to build the fewest homes this year in more than six decades.

Friday's housing report was yet another piece of evidence that the nation is struggling with a weak economy that, if the financial crisis is not solved, could dive into a sustained downturn.

A barometer of future building also dropped, falling to the weakest level in more than 25 years. Analysts blamed the renewed swoon on the financial crisis which erupted with force this fall, raising new anxieties among potential home buyers and making it harder for builders to get construction loans.

The Commerce Department reported Friday that construction of new homes and apartments dropped by 6.3 percent last month, a much bigger decline than the 1.6 percent decrease that had been expected. It pushed total production to a seasonally adjusted annual rate of 817,000 units. That's the slowest pace since January 1991, when the U.S. was in a recession and going through a similar painful housing correction.

"This is pretty bleak. The home building market continues to slide away and it is not over yet," said Mark Zandi, chief economist at Moody's Economy.com. "Demand is now weakening as a result of the financial panic and the hit to the job market."

President Bush on Friday defended the government's extraordinary interventions to rescue the financial system as a "last resort" that would work eventually to stabilize the economy.

The construction declines last month reflected weakness in many parts of the country. It was led by a 20.9 percent drop in the Northeast, where construction of single-family units fell to the lowest level on record.

Construction slipped by 16.8 percent in the West with single-family building hitting a record low there, too. The Midwest saw a gain of 5.6 percent, although that came from strength in apartment construction as single-family building also hit a record low in that region. Construction activity in the South was up a slight 0.5 percent.

Applications for building permits, considered a good sign for future activity, also fell sharply in September, dropping by 8.3 percent to an annual rate of 786,000 units, the weakest level since November 1981.

The housing industry, which enjoyed a five-year boom, is suffering its worst downturn in decades.

The weakness in housing, where prices have been falling sharply in many parts of the country, has triggered severe economic problems. The government has been forced to rush through a \$700 billion rescue package for banks which have been hit with billions of dollars in losses from soaring defaults on mortgages.

Banks, worried about their cash reserves and the health of other banks and businesses, have tightened lending, causing credit markets around the world to freeze, stock markets to tumble and anxiety about a global recession to rise.

Builder sentiment dropped to a record low in October, according to the latest survey from the National Association of Home Builders which said builder confidence had been shaken by the recent financial market troubles. Builders have been facing tighter lending standards as they try to get financing for new projects.

*The Associated Press and Reuters contributed to this report.*

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