

HOUSE BUILDING SPENT ANOTHER YEAR IN THE CELLAR

By Julie Schmit, USA TODAY

Instead of being a turnaround year, 2011 is likely to set a new low for the battered single-family home-building industry.

The industry is on pace to start construction on 424,000 single-family homes this year, says the [National Association of Home Builders](#).

- **INTERACTIVE:** [Tracking the pulse of the economy](#)

That's down 10% from last year and down 5% from 2009, which was the worst year for single-family home starts since consistent record keeping began in 1959.

Last fall, there was optimism that 2011 could mark the start of a slow turnaround for single-family home building, which has suffered deep job losses in the past five years.

"We all had great hope ... that 2011 would be a year of sustained improvement," says Douglas Yearley, CEO of luxury home builder Toll Bros.

That didn't happen, he says, but it wasn't "a horrible year."

Optimism for a turnaround this year faded as:

• **National home prices continued to slide.** They were down almost 4% in August from August, 2010, according to the Standard & Poor's Case-Shiller index, which measures prices in leading cities.

"No one wants to buy if they feel prices will keep falling," says Robert Denk, NAHB economist.

• **The economic recovery stayed weak.** That has curbed household formation, which feeds housing demand, as younger workers live longer with parents, or relatives double up when there's loss of a job or income takes a hit.

The formation of new households was at about a third of their historical pace in 2007, 2008 and 2009, the latest Census data show, Denk says.

More recently, consumer confidence plunged in October to its lowest since March 2009, the [Conference Board](#) reported.

That has hurt, especially when combined with volatile stock markets.

"With investments up 3% one day and down 5% the next ... we can understand their anxiety," said Richard Dugas, CEO of home builder PulteGroup, in discussing buyer sentiment during last week's earnings conference call. Pulte expects new home demand next year to be essentially flat with this year.

New-home sales are also likely to set a new low this year, says Patrick Newport, economist with [IHS Global Insight](#).

• **Tight credit.** Lenders have tightened standards for home builders and buyers.

The [Federal Reserve Board](#)'s latest lending survey shows banks continue to ease lending standards and terms on all major types of loans except those secured by real estate.

Many housing analysts now expect single-family home sales to climb next year and jump more in 2013.