



New reports give bleak outlook on housing, economy

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By J.W. ELPHINSTONE – 15 hours ago

NEW YORK (AP) — Not since George H.W. Bush ran the White House have consumers felt so downbeat about the economy. And the catalyst for much of the gloom — the housing slump — shows no signs of abating, new data Tuesday showed.

With Americans losing sleep over rising inflation and tight credit, the housing market is unlikely to rebound soon, spelling more pain for the economy.

"The consumer has no more money to spend," said Dan Alpert, managing director at the investment bank Westwood Capital. "The only way the economy is not going to recede is if someone cooks the books."

Consumer sentiment fell to its lowest level since October 1992 when the economy was coming out of a recession, the New York-based Conference Board said Tuesday. Economists monitor sentiment because consumer spending accounts for more than two-thirds of the nation's economic activity.

Retiree Irene Arnold, of Butler, Wis., is uneasy about the economy, especially as she watches food prices skyrocket each trip to the store.

"You go to the store and you can't get too many groceries for your money," said Arnold, who is cutting back on pricier items like meat, milk and fruit. "It seems like you don't have to have too much in your basket and the cost is really high."

Gas prices top Becky Diedrich's list of worries. The 43-year-old accountant in Franklin, Wis., is looking to replace the family minivan and most likely will go with a hybrid to help save at the pump.

She wonders how high gas will go. "I don't think it's over yet. And I think it's going to have a lasting effect on consumers," she said.

Gas prices hit another record high on Tuesday at almost \$3.94 a gallon — just a day after the unofficial start of the summer driving season, according to a survey of stations by AAA and the Oil Price Information Service.

While higher food and gas prices eat into Americans' wallets and incomes, falling home prices are eroding the value of their largest asset.

U.S. home prices dropped at the sharpest rate in two decades during the first quarter, the Standard & Poor's/Case-Shiller national index showed Tuesday, a somber indication that the housing slump continues to deepen.

Prices tumbled more than 14 percent during the quarter and are at levels not seen since the third quarter of 2004. While the index is still up 60 percent from 2000, millions of homeowners who bought in the past four years with little or no money down now owe more than their homes are worth.

Meanwhile, the government reported Tuesday that new home sales unexpectedly rose 3.3 percent from March to April, driven by a surge of purchases in the Northeast. It was the first increase in six months and what seems like, on face value, a hint of rosier days ahead.

But April's sales also looked better in part because of a large downward revision to the March numbers. And the median home price fell 4.2 percent last month to \$246,100.

Inventory also edged lower in April, but David Seiders, chief economist for the National Association of Home Builders, waved off any hint of good news because the numbers don't include contract cancellations by nervous buyers.

"There are still major uncertainties on the supply side," Seiders said.

A bottom isn't in sight, he thinks, and with reports like S&P/Case-Shiller's home price index, which he called "chilling," skittish buyers will continue to sit on the sidelines until prices stop falling.

Greg Johnson in San Diego is looking to buy a a four-bedroom house in the northern part of the county. The 38-year-old sold his condo two years ago at the peak of the market and has been renting a house ever since.

"I fully expect that pricing will continue to drop," he said. "Some of my buddies speculate there will be a lot more product dropped on the market because of foreclosures. So I'm just waiting and watching how things go."

Already, he can afford houses in areas that were once out of his reach, like in Carlsbad, Calif. He's seen properties listed six months ago for \$700,000 slashed to \$450,000.

"I can be a bit choosier," Johnson said. "I don't feel so rushed to jump in."