

# Record low for housing permits, starts

## Home construction plunges more than expected in December, falling to the lowest level since the government started tracking the data in 1959.

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NEW YORK (CNNMoney.com) -- Housing permits and starts both tumbled to record lows in December, according to a government report released Thursday.

The Commerce Department said housing permits fell 10.7% from the prior month to an annual rate of 549,000 in December, while starts were down 15.5% from November to an annual rate of 550,000.

### Both measures were at the lowest levels since the government started tracking the data in 1959.

The reports also came in much worse than expected. The Commerce Department was expected to report that building permits ticked down to an annual rate of 615,000, unchanged from a revised reading for the month prior, according to a consensus estimate of economist estimates compiled by Briefing.com.

Housing starts were expected to fall to 610,000 in December from a revised 651,000 in November.

Housing permits in December were 50.6% below the year-earlier rate of 1,111,000, and housing starts were down 45% from 1,000,000.

With home prices plummeting and companies slashing jobs by the thousands, Americans have had a hard time making mortgage payments. Foreclosure filings surged 81% in 2008, and they are up 225% from 2006, according to a report from [RealtyTrac](#).

The record high number of foreclosures is keeping the number of homes on the market elevated. With such a high level of inventory on the market, home builders can not build homes cheap enough to compete, according to Pat Newport, economist from IHS Global Insight.

Banks are slashing the prices of foreclosed homes dramatically in order to move them, and builders "can't build a home that they can price competitively," said Newport. "It doesn't make sense for builders to build homes," he added, because they can't cover their expenses and make a profit.

Furthermore, he said the credit crisis is cramping builders. Banks prefer to hoard cash in this market rather than lend it out and risk not getting the capital back. "Even if they have a project that is viable, they still can't build a house because the bank won't lend them the money," explained Newport.

Newport said that a turnaround in the housing market depends on improvements in the financial markets and on banks lending more freely.

Another factor is the ongoing recession, now more than a year old.

"We are losing a lot of jobs and people are losing their homes, and many of those people who lose their jobs and homes are moving in with family and friends," said Newport, and that cuts into the number of new homes being demanded.

At some point the increase in the inventory level will cause prices to come down so dramatically that bargain hunters will sneak in and start buying up excess supply, Newport said.

**For all of 2008, the report estimates 892,500 housing units obtained building permits, which was 36.2% below the 2007 figure of 1,398,400. Meanwhile, the government estimated that 904,300 housing units were started in 2008, which is 33.3% lower than the 1,355,000 units started in 2007.**

Housing starts measure of the number of homes on which construction starts in a month. Housing permits measure the number of permissions taken out to initiate construction on in the given month.

**Courtesy of JB Goodwin**