

Michigan business

CONSTRUCTION SLOWDOWN: New homes hit a low

In southeast Michigan, permits drop 66.2% in October

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Allen Zimmelman, 48, a Bellevue carpenter, prepares to work on a house Friday in Novi's Knightsbridge Gate. The subdivision has fared better than most, selling 50 homes from \$280,000 to \$344,000 in eight months. (Photos by WILLIAM ARCHIE/Detroit Free Press)

U.S. housing construction slowed considerably in October, reaching its lowest level in six years, sputtering most in the Midwest and South.

*In southeast Michigan, residential-building permits dropped 66.2% to 526 in October, compared with 1,557 in October 2005, according to data from the **Southeast Michigan Council of Governments**.*

Nationally, the slowdown was most severe in the South, which saw a 26.4% decline. The Midwest saw an 11.7% drop. The West dropped 2.1%, and the Northeast saw construction jump by 31%.

*Overall, new home construction fell by 27.4% in October, compared with a year before, the **Commerce Department** reported Friday.*

The nation's once-booming housing market has slowed so much that

some industry experts say it has reached the bottom, yet others are predicting another 18 months to two years in the down cycle.

*Lee Schwartz, executive vice president of government relations for the **Michigan Association of Home Builders**, said the next upswing in the state home-building market could be two years away because of economic uncertainties.*

"Given Michigan's economic doldrums, given the intense problems auto companies are having, that ratchets down to suppliers and firms that supply suppliers," Schwartz said. "People are ... not sure what their situation is going to be two years from now, three years from now."

Michigan has a nine-month supply of existing homes, he said, and the combination of low interest rates and falling home prices has not yet driven a large increase in demand.

*Randy Wertheimer, chief executive officer of **Hunter Pasteur Homes** in Farmington Hills, said builders have had mixed results. For example, a new subdivision of single-family homes the company is building in Novi called Knightsbridge Gate has been moving, with 50 homes in the \$280,000 to \$344,000 price range selling in eight months.*

But two other developments in Van Buren Township have been slow, selling roughly one home a month.

"I do think we have reached the bottom, and I also think it is a phenomenal time to be a buyer. The things we have had to include in these homes to get people to buy them is incredible," he said.

The homes in Novi, which are 2,000 square feet to 2,900 square feet, feature granite countertops, pre-wired alarms and iPort stations where homeowners can plug in their iPods to play throughout the house.

The Commerce Department reported that construction of new single-family homes and apartments dropped to an annual rate of 1.486 million units last month, down a sharp 14.6% from the September level.

The decline, bigger than had been expected, was the largest percentage decline in 19 months and pushed total activity down to the lowest level since July 2000.

Applications for new building permits, seen as a good sign of future plans, fell for a ninth consecutive month, the longest stretch on record. The October drop was 6.3%, pushing permits down to an annual rate of 1.535 million units, the slowest pace in nine years.

*David Seiders, chief economist for the **National Association of Home Builders**, said he believed construction would fall by about 13% this year as builders scramble to deal with plunging sales.*

"We had an unsustainable boom in housing in both 2004 and 2005, and now we have a correction on our hands," he said. The housing weakness trimmed a full percentage point off economic growth in the July-September quarter, when the economy expanded at a tepid 1.6% rate.

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