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## Most agree: Housing crunch isn't over yet

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By **Barbara Hagenbaugh, USA TODAY**

WASHINGTON — Housing is proving to be one of the biggest wild cards in the economy in 2007 as analysts are deeply divided about whether the worst in the downturn is over or there is much more pain to go.

Only 9% of economists say the housing decline ended in 2006, according to a USA TODAY survey of 55 economists taken Jan. 18-24. Another 42% said the downturn will end in the first half of the year, and 45% said housing will bottom out in the second half.

"This is one of those hot-button issues," says Christopher Rupkey, chief financial economist at Bank of Tokyo-Mitsubishi. He estimates the downturn ended last year. "I don't know why people are so pessimistic."

When housing bottoms out is key for the economy. Thus far, the fallout has been small. The economy grew at a faster pace in 2006 than in 2005 even though sales of previously owned homes fell 8.2%, the biggest drop in 17 years, the National Association of Realtors says.

But the economy may not be able to shrug off further declines, A.G. Edwards & Sons chief economist Gary Thayer says. Lower energy prices and a strong job market have thus far helped consumers weather the housing downturn. But going forward, those two factors may not be big enough to offset further weakening, Thayer says.

"Seeing things stabilize and hearing reports that housing is stabilizing is good for consumer confidence," he says.

The NAR's index of pending home sales, which is adjusted for seasonal variations, rose in December at the fastest pace since March 2004. The level of unsold homes on the market appeared to have peaked in July, the group says.

But Wachovia senior economist Mark Vitner says although recent housing data have been upbeat, they have been skewed by warmer-than-usual weather.

"That brought out a few more buyers and allowed for more building in the Northeast," he says. Vitner says the warm weather "pulled sales forward." Come spring, housing activity will be slower than normal, he says.

"I haven't met a home builder yet who thinks things have bottomed out," he says.

Economist Tucker Hart Adams says the housing market won't stabilize in 2007. The combination of resetting adjustable-rate mortgages, homeowners unable to keep up with payments on so-called exotic mortgages such as interest-only loans, and other debt will lead to higher foreclosure rates and more homes on the market, she says. "It's really optimistic to think that it just took a little adjustment and everything is fine," she says. "It's one time I would like to be wrong."

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