The Ottawa Citizen

Profits soar 21 per cent at grocer Metro; Company lifts dividend by 23.6%

Wed Jan 27 2010
Page: E3
Section: Business & Technology
Dateline: TORONTO
Source: Reuters; with files from Financial Post
Illustrations: Colour Photo: Jana Chytilova , The Ottawa Citizen / Metro CEO Eric La Flèche is confident growth will continue this year.

Metro Inc, Canada's No. 3 grocery chain, raised its quarterly dividend 24 per cent as it reported a sharp jump in quarterly earnings on Tuesday that topped expectations.

The Montreal-based supermarket chain, which recently consolidated all of its Ontario stores, including Dominion, under the Metro banner, said it earned $98.1 million, or 91 cents a share, in its first quarter. That was up 21 per cent from $81.1 million, or 73 cents a share, in the same period a year earlier when it benefited from rising food prices.

Adjusted earnings, which exclude non-recurring costs from the rebranding and tax gains, were $88.7 million, or 82 cents a share, up from $84.1 million, or 76 cents a share.

Sales rose 1.7 per cent to $2.65 billion, while earnings before interest, taxes, depreciation and amortization jumped seven per cent.

Analysts had expected, on average, earnings of 76 cents a share before items and revenue of $2.64 billion, according to Thomson Reuters I/B/E/S.

The company boosted its quarterly dividend by 23.6 per cent to 17 cents per share.

Metro's shares rose almost two per cent to about $40 on the Toronto Stock Exchange.

"Their ability to get slightly higher margins with virtually no inflation was a very positive development," said Bill Chisholm, a retail analyst at MacDougall, MacDougall and MacTier.

The earnings rise came despite a drop in overall prices for goods. Food prices had climbed in recent quarters as grocers passed on rising costs for wheat, rice, vegetables, fruit and other goods to the consumer, benefiting from wider profit margins. This lessened in recent months as the commodity prices slipped, dragging retail prices and margins down with them.

Industry watchers expect a further slowdown in price increases and that will mean less spectacular earnings growth for Canada's big supermarket chains.

Metro, with a 34-per-cent grocery market share in Quebec and more than 20 per cent in Ontario, expects more growth through 2010 despite strong competition from Loblaw and Sobeys and also from Costco Canada.

Conversion of most of the former A&P Canada stores in Ontario to the Metro banner has been completed with positive results, said CEO Eric La Flèche. He said the economic environment remains challenging "but we're well positioned in our markets and confident we'll continue our growth through this year."

National Post

Bond King buys Canada; PIMCO preference

Wed Jan 27 2010
Page: FP1
Section: Financial Post
Byline: Paul Vieira
Dateline: OTTAWA
Source: Financial Post
Illustrations: Color Photo: Tim Boyle, Bloomberg News Files / Bill Gross says Canada is among those countries "with the potential for higher growth."

OTTAWA - Count one of the world's biggest and most influential mutual-fund managers as the latest market-mover to jump on Canada's bandwagon.

Bill Gross, founder and managing director of Pacific Investment Management Co., which manages US$1-trillion on behalf of clients, said in his monthly letter to clients that Canada stands out among industrialized countries as a destination for investors to park their fixed-income cash.

"Given enough liquidity and current yields, I would prefer to invest money in Canada," said Mr. Gross, whose company manages the world's biggest bond fund. "Its conservative banks never did participate in the housing crisis, and it moved toward and stayed closer to fiscal balance than any other country."

In contrast is Britain, the world's fifth-largest economy, which is in danger of having its debt-to-gross domestic product ratio surge to 120% by 2017 from just less than 50% three years ago.

Mr. Gross said Britain was a "must to avoid," adding its bonds, or gilts, "are resting on a bed of nitroglycerine." He added: "High debt with the potential [for pound devaluation] present high risks for bond investors."

Mr. Gross's fondness for Canada shouldn't come as a surprise. As it happens, foreigners can't get enough of Canadian bonds, issued by the federal government or the provinces.

Recent data from Statistics Canada indicated foreign purchases of Canadian bonds in 2009, at a net $73-billion, shattered the previous $41-billion mark set in 2001. And the record total is likely to swell once December figures emerge.

Fund rater Morningstar Inc. recently named Mr. Gross as the manager of the decade. PIMCO's flagship product, Total Return Fund, recorded nearly US$70-billion in net inflow last year (more than net inflows for the previous three years combined), pushing the fund's assets to more than US$200-billion.

In his newsletter, Mr. Gross reinforced his view that a "new normal" will emerge in the aftermath of the latest financial crisis. The PIMCO thesis says households and firms in developed economies -- whose banks were at the centre of the credit collapse -- will spend years paying down debt and boosting savings. As a result, developed economies will record slower economic growth and lower returns on investment and financial assets.

Countries most at risk are identified by Mr. Gross as belonging to a so-called ring of fire, whose members include the United States, Britain, France, Japan and Italy. These countries run the risk of having public debt reach a level that surpasses the equivalent of 90% of GDP. Once that is reached, economic growth could slow by 1% or more, PIMCO's calculations say.

In another category of countries belong economies such as Canada, Germany, Sweden, Norway and Australia, among others. These economies are "considered to be the most conservative and potentially the most solvent, with the potential for higher growth."

Canada's fiscal position has deteriorated sharply in the past year, with Ottawa set to record a $56-billion deficit this fiscal year. Nevertheless, Canada's budget balance going into the recession was far superior to other major economies, and that should count for something, Mr. Gross said.

"Initial conditions are important because the ability of a country to respond to a financial crisis is related to the size of its existing debt burden and because it points to future financing potential," the newsletter said.

Despite Canada's at -tractiveness, Mr. Gross said emerging economies, such as India, Brazil and China, are better positioned for growth, as they are starting off at much lower debt levels, measured as a percentage of GDP, compared to their developed peers.

Meanwhile, the old established Group of Seven nations, of which Canada is a member, "have lost their position as drivers of the global economy" as they focus on debt reduction.

PIMCO IN A NUTSHELL

What: PIMCO is one of the world's largest asset managers with US$1-trillion under management, almost exclusively in fixed income.

Who: Headed by Paul Gross, managing director, and Mohamed el-Erian, CEO.

What Mr. Gross says: "Instead of using econometric models of the past 30 to 40 years, analysis of current economics must depend on centuries-old examples of deleveraging economies in the aftermath of a financial crisis."

"Studies show the true legacy of banking crises is greater public indebtedness, far beyond the direct headline costs of bailout packages."

"The aftermath of banking crises is associated with an average increase of seven percentage points in the unemployment rate, which remains elevated for five years."

The Ottawa Citizen

Call centre cuts 800 jobs; Ohio-based firm moving positions from Ottawa to overseas

Wed Jan 27 2010
Page: A1 / FRONT
Section: News
Byline: Bert Hill
Source: The Ottawa Citizen

A major Ottawa call centre is laying off 800 employees as the company moves operations to lower-cost locations in Asia and around the world.

Convergys, a Cincinnati call centre giant, said Tuesday it is making the cuts to the Heron Road centre because of decisions by an undisclosed customer, effective April 18.

"About 800 employees are affected by this decision," a statement said.

The layoffs are a blow to the Ottawa economy, which lost 7,400 jobs in the last three months after rebounding more quickly than other Canadian cities from the recession early in the year. The unemployment rate rose from 5.2 per cent in October to 6.1 per cent in December.

"This is a significant job loss, especially at a time when it is difficult to find new jobs," said Erin Kelly, executive director of the Ottawa Chamber of Commerce. But she said the Ottawa economy has a history of absorbing layoffs.

"The people who are losing jobs have good communication and customer-relation skills and many are bilingual. There is demand for these skills." She said the loss of the call-centre jobs to Asia is not necessarily a sign of more losses to come. There are still about 30 companies employing 2,500 to 3,000 employees in Ottawa call centres.

In fact, she said some other companies are bringing back call centres to Canada to get better performance, she said.

The global recession has exacted a heavy price on the broader technology sector, eliminating 5,800 jobs, or more than 10 per cent of all jobs, in the last year as Nortel Networks disintegrated and other companies were hit.

Employees said they support business customer calls to AT&T Wireless, one of the biggest U.S. mobile networks. "We know the work is still there," said one employee who got notice, who declined to be identified. "The only question is, where is the cheapest place for Convergys to do the work?"

Convergys, which has had Ottawa operations for a decade, will continue to employ about 200 people here supporting Bell Canada.

Dougherty said 31 per cent of the firm's call centre employees are now in the Philippines, with 14 per cent in India and nine per cent in Canada. Just 15 months ago, Canada accounted for 13 per cent of Convergys call centre staff. Then, it had 12,000 employees in 15 call centres across the country. But that changed rapidly as the Canadian dollar rose against the U.S. dollar, reducing the Canadian cost advantage.

The Ottawa centre escaped the bullet, keeping employment at about 1,100. In fact, Convergys ramped up a recruiting campaign in August, searching for 100 more Ottawa employees to support North American wireless and Internet clients. But Convergys was also rapidly expanding in the Philippines. A Convergys country manager said Tuesday the company plans to hire 6,000 more employees there because more customers are requesting the work be performed in the Asian country.

Convergys declined to discuss the Ottawa job centre losses or its customers.

Some Ottawa employees said they were expecting bad news. They said call traffic had declined and the company may have started diverting some calls to other centres. Nevertheless, a big "Now Hiring, Walk-ins Welcome" sign covers part of the building on Heron Road.

Most were handed letters Monday giving them 12 weeks' working notice of the job losses. Employees still working at the centre after April 18 could get an additional four weeks' severance pay.

The Ottawa call centre industry was a big but little-noticed part of the technology boom of the late '90s. Many public servants who had lost jobs in 1995 and 1996, quickly found work in call centres with their customer service and bilingual skills. Several financial services and telecommunications companies opened Ottawa call centres. When the technology bubble burst in 2000, many centres disappeared. But the industry estimated as recently as 2006 that 300 call centres employed as many as 20,000 people.

Many still are in operation, paying competitive wages. One of the biggest is the Bank of America (formerly MBNA) credit card call centre with 1,800 employees.

The New York Times

Obama, on Own, To Set Up Panel On Nation's Debt

Wed Jan 27 2010
Page: 1
Section: National
Byline: JACKIE CALMES; David M. Herszenhorn contributed reporting from Washington.
Dateline: WASHINGTON
Illustrations: PHOTO: Douglas W. Elmendorf, director of the Congressional Budget Office, projected mounting deficits.(PHOTOGRAPH BY LUKE SHARRETT/THE NEW YORK TIMES)(A3) CHART: New Deficit Estimates: The Congressional Budget Office released new deficit projections on Tuesday, showing only small improvements over its forecasts from last summer.(Source: Congressional Budget Office)(A3)

Advocates of more aggressive steps to address the national debt failed Tuesday in their effort to create a bipartisan commission to press for tax increases and spending cuts, but President Obama now plans to establish a similar panel by executive order in his State of the Union address on Wednesday.

The proposal for a commission died when its supporters could not muster enough votes in the Senate to push it ahead, reflecting unwillingness among many Republicans to back any move toward tax increases and objections among Democrats to the prospect of deep spending cuts in Medicare and Medicaid. While 53 senators voted for the plan and 46 against, it needed 60 votes to be approved under Senate rules.

The alternative panel to be established by Mr. Obama will also come up with recommendations by December to reduce annual budget deficits and slow or reverse the growth of the national debt. But unlike the commission proposal killed by the Senate, Mr. Obama's executive order could not force Congress to vote on a commission's suggestions.

The debate was just the latest demonstration of the intensity of the election-year fight shaping up over the nation's rising debt and its causes and solutions.

The issue will be a major theme of Mr. Obama's nationally televised speech Wednesday night, as he seeks to respond to the public's concern about the budget deficit.

But his responses so far, including the debt commission and a proposed three-year freeze on domestic programs, drew howls of anger on Tuesday from his party's left, which objected to his exempting defense spending while putting Medicare and Medicaid on the chopping block. At the same time, he earned mainly derision from Republicans.

Just before senators voted, the Congressional Budget Office released a report projecting that the deficit for this fiscal year, which ends Sept. 30, would be $1.3 trillion. That is a slight improvement over last year's shortfall, because of early, fragile signs of economic growth, and it would be a return to the annual level projected when President George W. Bush left office.

But the long-term budget outlook, according to the office, is persistent high deficits that will accumulate to drive the debt ever upward, to the point that it could nearly equal the value of the nation's entire economic output by 2020.

With hiring lagging behind the recovery that began in the second half of last year, the budget office forecast that the unemployment rate would remain at 10 percent through this year. That will keep Democrats on the defensive in a Congressional election year. But even by 2012, when Mr. Obama faces re- election, the jobless rate would be just below 9 percent, the budget office projected.

A $1.3 trillion deficit for this fiscal year would equal about 9.2 percent of gross domestic product. Last year's $1.4 trillion deficit was nearly 10 percent of gross domestic product, making it the largest since World War II measured against the size of the economy.

But the budget office said that additional stimulus spending and tax cuts, which the White House and Congress currently are considering for families, small businesses, the unemployed and hard-hit states, could well result in a deficit for this year that exceeds last year's. At the same time, it said, the stimulus measures to date have "helped moderate the severity of the recession and shorten its duration."

The annual report, together with Mr. Obama's budget, to be released on Monday, gives lawmakers the fiscal and economic data they need to begin a new year of budget-writing.

As they do, both Congress and the White House confront conflicting pressures from voters and markets to take steps that will reduce deficits in the long run but add to them in the short run, by extending the existing stimulus spending and tax cuts, to prop up the economy so does not fall back into a recession.

"That is a tension that policymakers will need to wrestle with," Douglas W. Elmendorf, director of the budget office, told reporters.

Another downturn, most economists argue, would inflate deficits even further by forcing more spending for relief programs for the unemployed and by reducing tax collections from individuals and businesses.

Yet the public's belief that spending is out of control is undercutting Mr. Obama's support, polls show. And a debt of the size projected would threaten future prosperity and raise the interest rates the nation must pay for its borrowing, as foreign investors demand higher returns to reflect their risks.

As it stands, low interest rates are holding down the size of deficits, as the budget office said. But an increase in interest rates, which many people consider inevitable, would add to federal costs for interest payments on the publicly held debt. Interest on the debt already is one of the largest items in the budget, along with spending for defense and entitlement programs.

According to the budget office, interest payments will more than triple in dollar terms over the decade, to $723 billion in 2020 from a projected $207 billion this year. The deficit issue has risen to a public prominence not seen in two decades, reflecting the size of the debt, now exceeding $12 trillion; the dire future projections as health costs rise and the population ages, boosting Medicare and Medicaid spending to unsustainable levels; and the intensity of Mr. Obama's opposition on the right.

The vote on a commission proposal was the price that fiscally conservative senators extracted from Congressional Democratic leaders as the price for their support later this week in a vote to increase the $12 trillion debt limit. Without an increase, the government soon could not borrow to cover its obligations.

The proposal, co-sponsored by Senator Kent Conrad, Democrat of North Dakota, the chairman of the Budget Committee, and Senator Judd Gregg of New Hampshire, the committee's senior Republican, called for an 18-member commission -- eight lawmakers from each party and two administration officials -- to draft a package that Congress would have to vote on in December without amending it.

One of the most vocal opponents was Senator Max Baucus, Democrat of Montana, the chairman of the Senate Finance Committee. He said the bill's sponsors had "painted a big red bull's-eye on Social Security," adding, "Their commission is a Social Security-cutting machine."

After the vote, Mr. Conrad said he was "delighted" to have gotten 53 votes, adding, "I think that provides a significant boost to the momentum that is under way to begin to address the very deep challenge of a burgeoning debt."

But Mr. Gregg, in a statement, said the outcome was "yet another indication that Congress is more concerned with the next election than the next generation."

In an interview, however, Mr. Gregg would not commit to supporting a presidential commission. "It would still have no force of law to bind the Congress to do anything, and there really aren't a whole lot of giants around here," he said.

Other Congressional Republican leaders have openly indicated they would refuse to serve on a commission, especially one that Mr. Obama creates. They say that Democrats are trying to avoid spending cuts before the election.

But some Democrats say the Republicans will have a hard time justifying their refusal should Mr. Obama invite them to the negotiating table, considering that much of the nation's debt is the result of spending and tax cuts during the years up to 2007 when Republicans controlled both the White House and Congress.

The Globe And Mail

CN boosts dividend on hopes for a healthy 2010; New CEO says early signs of recovery in shipments spur optimistic outlook and forecasts 'double-digit growth' in share profit

Wed Jan 27 2010
Page: B4
Section: Report On Business: Canadian
Byline: Brent Jang

TRANSPORTATION REPORTER

Canadian National Railway Co.'s new chief executive officer is optimistic that freight traffic will climb during gradual economic growth in 2010, sparking a decision to raise dividend payments by 7 per cent.

Claude Mongeau, who took over from the retiring Hunter Harrison on Jan. 1 as CN's CEO, said the Montreal-based railway is on track for improved earnings per share, based on early signs of a rebound in shipments.

"I have big shoes to fill, but I'm excited about the opportunity to lead CN. I have a great organization, a great team and I'm ready for the challenge," Mr. Mongeau said yesterday during a conference call.

"Someone asked me recently, and maybe he just wanted to put me at ease, but he said, 'Claude, how do you step in for a legend like Hunter Harrison?'

And I said to him, 'Well, it is tough but you try to keep your feet on the ground, you focus on protecting the legacy and you build from there.' And that's exactly what we're going to do."

Mr. Mongeau said he is forecasting "double-digit growth in diluted earnings per share in 2010," while cautioning that current economic momentum is fragile and a strong Canadian dollar would water down some of the expected gains.

But with a strong balance sheet envisaged for the foreseeable future, CN's board of directors approved a new quarterly dividend rate of 27 cents a share yesterday, up from 25.25 cents.

Shareholders of record on March 10 will receive the higher dividend on March 31.

"I have made a promise to give a dividend to Hunter," Mr. Mongeau said of his pledge to keep CN rolling.

CN also announced that it will embark on a stock buyback program, planning to repurchase up 15 million shares this year, or 3.2 per cent of shares outstanding not held by insiders.

CN and Calgary-based Canadian Pacific Railway Ltd. are both seeing early signs of recovery in freight shipments in 2010.

Twelve of 19 major commodity groups enjoyed year-over-year gains in carload shipments in the first two weeks of January, building on improvements in the fourth quarter.

Despite a five-day strike and poor weather, CN's fourth-quarter profit rose 1.5 per cent to $582-million. Quarterly revenue slid 14 per cent to $1.88- billion.

For the full 12 months of 2009, CN's profit fell 2 per cent to $1.85-billion

"We are hopeful that this economy will gain traction," Mr. Mongeau said, expressing his belief that "we have turned the corner."

Canadian National (CNR-T)

Close: $55.68, up 32¢

The Globe And Mail

IMF sees economic recovery gaining momentum; Despite the different challenges facing developed and emerging economies, Washington-based lender boosts global growth forecast

Wed Jan 27 2010
Page: B15
Section: International News
Byline: Jeremy Torobin
Dateline: OTTAWA

OTTAWA -- The global economic rebound is moving much more quickly for emerging markets than developed countries, underscoring a diverging set of challenges for policy makers.

The booming rebound in emerging markets such as China is fuelling fears of inflation and asset bubbles, leading officials to tighten credit availability amid expectations interest rates may soon rise.

"Key emerging economies in Asia are leading the global recovery," but they also are "grappling with the challenges posed by surging capital inflows," an International Monetary Fund report released yesterday states.

In advanced economies such as the U.S., Britain and Japan, meanwhile, the rebound is slow and continues to rely heavily on ultralow borrowing costs and government stimulus spending. Finance officials are reluctant to pull back on those measures any time soon, over fear the fragile rebound could falter.

Growth in emerging and developing economies this year will be about three times the pace of expansion in developed nations - 6 per cent compared with 2 per cent - the IMF forecast states.

"In most advanced economies, the recovery is expected to remain sluggish by past standards, whereas in many emerging and developing economies activity is expected to be relatively vigorous, largely driven by buoyant internal demand," the IMF says in an update to its World Economic Outlook.

Overall, though, the IMF sees the rebound gathering steam. It expects the global economy to advance 3.9 per cent this year, better than its previous forecast of 3.1 per cent.

It warns against "a premature and incoherent" exit from government spending and low interest rates in the developed world. Still, though some countries and regions will require an extra boost for longer than others, the Group of 20 is expected to craft a largely co-ordinated exit strategy.

The unbalanced global growth has a positive side: Faster growth in China and other big emerging markets takes pressure of the U.S. to be the main driver of global growth.

But the report suggests IMF officials are worried about the pace at which this change is taking place, said John Curtis, a distinguished fellow at the Waterloo, Ont.-based Centre for International Governance Innovation.

The rush of investment in those economies risks stoking inflation, which could destabilize the global rebound. Rapid growth will also continue to boost commodity prices, creating a risk that countries such as Canada become too dependant on resources, Mr. Curtis said.

Complicating matters is the growing unease among politicians in much of the rich world about the massive debt being incurred to finance the rebound.

On top of expected growth of 3.9 per cent this year, the global economy is set to expand 4.3 per cent in 2011 after contracting 0.8 per cent in 2009, the IMF said. In October, the Washington-based lender had predicted growth of 4.2 per cent in 2011.

Inflation should be tame enough to allow central banks to keep borrowing costs low in economies that need it, the IMF said, and the rebound in developed nations will be hampered by government debt loads and high unemployment.

Developments around the world this week illustrate the disparities the IMF identifies.

Japan's credit rating outlook was lowered by Standard & Poor's, which cited the country's ongoing battles with deflation and record deficits. Britain's economy finally crawled out of recession late last year, but just barely, expanding a less-than-anticipated 0.1 per cent. In the U.S., home prices and consumer confidence are on the mend, but home values have recovered only about a tenth of the more than 30 per cent-reduction over the past few years, and joblessness is hovering around 10 per cent.

At the opposite extreme, the IMF projects China's economy will grow a whopping 10 per cent this year after almost 9 per cent last year, and India's will grow nearly 8 per cent. Indications that China is taking steps to limit bank lending to cool the world's fastest-growing economy have roiled markets in recent days.

Sheryl King, chief strategist at Merrill Lynch Canada Ltd. in Toronto, said emerging markets - and some advanced nations, like Canada, France and Germany - are reaping benefits from having banking systems that weren't mired in toxic assets, which the IMF, in a separate report, said continue to make the global financial system "fragile."

"We have an uneven expansion that seems to be divided between haves and have- nots in terms of who's got a good banking system," Ms. King said. "Because emerging markets didn't have particularly sophisticated banking industries to begin with, there was less trouble for them to get into."

With files from Kevin Carmichael

The Washington Post

Long road to housing recoveryDecade of doldrums? Economists warn of inability to regain equity

Wed Jan 27 2010
Page: A12
Section: Asection
Byline: Renae Merle

Even as the housing market shows signs of improvement, including in new data released Tuesday, economists warn that it could take up to a decade for many homeowners to regain equity in their homes, while some people in the hardest-hit regions of the country may not see a recovery during their lifetime.

Home prices have fallen 30 percent since reaching their peak in 2006, and many economists think they will take another tumble this year as more foreclosures pile on the market. The pace of recovery will vary throughout the country, with homes in the most battered markets taking the longest to regain value. Meanwhile, millions of homeowners who are "underwater" -- owing more on their mortgages than their homes are worth -- face years of negative equity that puts them at a higher risk of foreclosure.

"What are we going to do down the road when people who should have been saving for retirement, or college funds, are spending that money instead staying current on their underwater home?" said Brent T. White, a University of Arizona law school professor who has studied underwater borrowers.

Economists worry that the housing market could stumble later this year when government measures to boost sales, including ultra-low interest rates and a tax credit for home buyers, expire.

"We're just not convinced that the housing market can stand on its own two feet without the fiscal support of the tax credit," said Paul Dales, an economist for Capital Economics, a research firm.

There are some signs that the housing market is strengthening. Homes sales last year increased 5 percent from 2008 and the backlog of unsold homes on the market fell significantly. The Standard & Poor's/Case-Shiller home-price index released Tuesday showed that in 20 major cities home prices rose 0.2 percent on a seasonally adjusted basis between October and November, the sixth straight month-over-month increase.

But that same report illustrated the precarious nature of the recovery. In some metropolitan areas, including New York and Chicago, prices fell in November compared with the previous month, according to the index. In the Washington region, prices fell slightly, 0.2 percent on a seasonally adjusted basis. And prices overall in the 20-city index were down 5.3 percent compared with the corresponding period in 2008.

There "is no clear sign of a sustained, broad-based recovery," said David Blitzer, chairman of S&P's index committee.

In fact, many economists are expecting more losses. Moody's Economy.com has forecast an additional 10 percent decline in home prices this year, while Barclays expects prices to fall 8 percent by early 2011. Wells Fargo is more optimistic -- it expects home values to drop just 3 percent more this year.

Even after the housing market stabilizes, it will take years for some owners to see the value of their homes appreciate. About 25 percent of homeowners owe more than their home is worth, according to data from First American CoreLogic, a research firm.

While it has historically taken five to 10 years for home prices to regain losses after a major downturn, analysts said, it is likely to take much longer this time, particularly in parts of the country that have seen the steepest declines.

"In California, Florida, in the ground-zero zones, it could take 15 years to fully recover," said Lawrence Yun, chief economist for the National Association of Realtors.

In regions marked by rampant speculative home purchases, such as Naples, Fla. ; Las Vegas; and parts of Southern California, it could take even longer, said Mark Zandi, chief economist for Moody's Economy.com. "It's not that we will never get back there. But it will take generations because it will take that long to grow the income and wealth to support those types of housing values," he said.

Historical comparisons are likely moot, given the unprecedented nature of this housing downturn, said Thomas Lawler, a housing consultant and economist. Most housing-market collapses have been regional, not national like this one, he said, and many have not included the steep price declines experienced this time around.

"If the question is how long will it take for prices to recover to the peak, it will be longer than before simply because prices fell by more," Lawler said. And in some parts of the country, the answer may be never, he said.

Speculative buying pushed development farther from urban centers during the housing bubble, Lawler said. In some cases, local markets faltered before amenities such as grocery stores could be completed, and now there is no reason to finish those projects, he said. "There are going to be parts of Florida where homes shouldn't have been built [and] . . . that should have stayed farm land," he said.

To achieve a healthy recovery, the housing market would need to avoid the quick run-up in prices experienced during the housing boom, economists said. If home prices rise significantly faster than inflation, it could lead to another housing bubble, they said.

During a normal market, home prices rise 3 to 5 percent a year, Yun said. But during the housing boom, the appreciation rate was twice that in many areas. In the Washington region, home prices rose by 10 percent or more a year between 2001 and 2005, he said. "In the Washington market, which was one of the more bullish markets, it's going to take many years for people who bought at the peak to see those" prices again, Yun said.