

USA: November new home sales sink 11 percent

New home sales fall 11 pct. in Nov. to lowest level since April; housing recovery still shaky

December 23 2009

By Alan Zibel, AP Real Estate Writer , On Wednesday December 23, 2009, 12:23 pm

WASHINGTON (AP) -- Sales of new homes plunged unexpectedly last month to the lowest level since April, a sign the housing market recovery will be rocky and heavily dependent on the generosity of Uncle Sam.

The 11 percent slump from October's pace shows that consumers are taking their time following an extension of a deadline for first-time buyers to qualify for a tax credit. The incentive was set to expire at the end of November, but Congress pushed back the date to April 30 and expanded the program to include current homeowners who relocate.

"They don't have to act today," said David Crowe, chief economist at the National Association of Home Builders, who called the results "pretty awful."

New home sales data, released Wednesday, are a better indicator of future real estate activity than sales of previously occupied homes, but capture a smaller slice of the market. The new home figures tally sales agreements signed in November, while home resale numbers reflect contracts signed over the summer that were completed the same month.

While buyers of previously occupied homes were rushing to close deals by the end of November, buyers of new homes knew early in the month they could shop longer because of the extension. Though completed home resales rose 7 percent in November, most economists expect sales to decline during the winter months.

The results show the how reliant the housing market has been on government assistance. About 2 million homebuyers have taken advantage of the tax credit of up to \$8,000 for first-time buyers, the National Association of Realtors estimated this week. Another 2.4 million are expected to either tap that subsidy or another one for up to \$6,500 for current homeowners.

The Federal Reserve is also snapping up \$1.25 trillion in mortgage-backed securities to help keep interest rates low, which makes payments more affordable.

Despite the poor showing from new home buyers, the housing market has been recovering from the worst downturn in decades, largely due to a massive infusion of federal assistance. New home sales are up 8 percent from the bottom in January but 74 percent below the peak in July 2005. Compared with November last year, sales were off 9 percent.

The Commerce Department said new home sales hit a seasonally adjusted annual rate of 355,000 last month, off from a downwardly revised 400,000 pace in October. Economists surveyed by Thomson Reuters had expected 440,000.

Builders clearly saw the drop coming: the National Association of Home Builders said last week its index of industry confidence fell to the lowest level since June. The trade group blamed high unemployment and a slow economic recovery that are stifling demand.

The industry has cut back on construction in the face of weak demand. Many builders also complain they can't get financing, so their bulldozers are idle. But that has slashed inventory to healthier levels.

Builders had 235,000 new homes for sale nationwide at the end of November, the lowest inventory level since April 1971. Though at the current weak sales pace, that still represents nearly eight months of supply.

Since the housing bubble burst, new home sales have represented a dwindling share of the overall market. New home sales accounted for just 5 percent of total sales last month, down from a peak of more than 16 percent in summer 2005.

Buyers have been able to find better prices searching for previously occupied homes, especially among foreclosed properties, which made up about a third of sales last completed month.

Builders have tried to compete. The median sales price of \$217,400 was down nearly 2 percent from \$221,600 a year earlier, but up about 4

percent from October's level of \$209,400.

"There's only so much of a haircut (on price) they can give," said Ian Pollick, an economics strategist with TD Securities.

The only strong region was the Midwest, where sales rose 21 percent. Sales fell by 21 percent in the South, 9 percent in the West and 3 percent in the Northeast.

Robert Toll, CEO of luxury builder Toll Brothers Inc. said earlier this month demand has been "choppy" after several strong months in the spring and summer.

"You just have to bite the finger, be patient, and wait until you see what comes out in the latter part of January, all of February and in the early part of March," he said.

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