

New Home Sales Drop

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New-home sales fell for the fourth-straight month in August as the bursting of the housing bubble continues to plague the U.S. economy.

Sales fell by 2.3% on a monthly basis to a seasonally adjusted annual rate of 295,000, the Commerce Department said Monday. It was the weakest pace in six months.

Sales in July were revised upward slightly to a rate of 302,000 from a previously reported 298,000.

The results were in line with forecasts. Economists surveyed by Dow Jones Newswires had forecast sales would fall 1.0% to an annual rate of 295,000. Compared with a year earlier, however, new home sales were up 6.1%

New-home sales amount to about a quarter of their peak before the bubble began deflating around five years ago. Sales are far below healthy levels, considered to be an annual rate of around 750,000.

Consumers have slowed their spending sharply this year, pulling down economic growth and preventing unemployment from falling. High joblessness and a weakening economy are raising Americans' doubts about their prospects for the future, leading many to save money and pay down debts rather than taking out loans. **Some people can't get financing due to tight lending standards enacted after the housing bust.**

The weak state of the housing market has concerned the Obama administration and Federal Reserve. The Obama administration and federal regulators are working on steps to allow more borrowers to refinance at ultra-low rates. And last week, the Fed announced it would begin putting payments from its portfolio of government-backed mortgage bonds back into mortgages. That pushed down mortgage rates to below 4% for a 30-year fixed loan.

Still, the Fed's move isn't expected to do much for home purchases.. Many people aren't buying -- and sellers aren't selling -- homes because prices keep dropping. The median price in August for a new home, at \$209,100, was down 7.7% from a year earlier.

Consumers who are buying homes often are opting for foreclosed properties and other previously owned homes, which tend to be cheaper than new houses.

The building industry, meanwhile, is staggering through the downturn. Builder KB Home said Friday its fiscal third-quarter loss widened on sharply lower home deliveries compared with a year earlier.

The results followed a smaller quarterly profit reported by Lennar Corp. earlier in the week. Still, both builders said orders rose when compared to a year earlier, a potential bright spot.

With builders keeping new home construction to a minimum, the number of new homes listed for sale at the end of August was 162,000, the lowest level on records dating back to 1963. That supply would take 6.6 months to deplete at the current sales pace, around a healthy level. The supply in July was 6.5 months.

The Commerce report said August new-home sales fell in three out of four U.S. regions. Sales fell 13.6% in the Northeast, dropped 6.3% in the West, 2.4% in the South and rose 8.2% in the Midwest.

Courtesy of JB Goodwin