

New-home purchases fall, 2011 worst ever for sales

AP Associated Press

By DEREK KRAVITZ | Associated Press – Jan 26

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WASHINGTON (AP) — Fewer Americans bought new homes in December. The decline made 2011 the worst year for new-home sales on records dating back nearly half a century.

The [Commerce Department](#) said Thursday new-home sales fell 2.2 percent last month to a seasonally adjusted annual pace of 307,000. The pace is less than half the 700,000 that economists say must be sold in a healthy economy.

About 302,000 new homes were sold last year. That's less than the 323,000 sold in 2010, making last year's sales the worst on records dating back to 1963. And it coincides with a report last week that said 2011 was the weakest year for single-family home construction on record.

The median sales prices for new homes dropped in December to \$210,300. Builders continued to slash price to stay competitive in the depressed market.

Still, sales of new homes rose in the final quarter of 2011, supporting other signs of a slow turnaround that began at the end of the year.

Sales of previously occupied homes rose in December for a third straight month. Mortgage rates have never been lower. Homebuilders are slightly more hopeful because more people are saying they might consider buying this year. And home construction picked up in the final quarter of last year.

"Although this decline was unexpected, it does not change the story that housing has likely bottomed," said Jennifer H. Lee, senior economist at BMO Capital Markets.

Ian Shepherdson, chief economist at High Frequency Economics, said easier lending requirements, historically low mortgage rates and improved hiring all point to consistent, albeit slow, rises in sales in the coming months.

"A sustained rise in new home sales is imminent," he said. "Homebuilders say so too, and they should know."

Hiring is critical to a housing rebound. The unemployment rate fell in December to its lowest level in nearly three years after the sixth straight month of solid job growth.

Economists caution that housing is a long way from fully recovering. Builders have stopped working on many projects because it's been hard for them to get financing or to compete with cheaper resale homes. For many Americans, buying a home remains too big a risk more than four years after the housing bubble burst.

Though new-home sales represent less than 10 percent of the housing market, they have an outsize impact on the economy. Each home built creates an average of three jobs for a year and generates about \$90,000 in tax revenue, according to the National Association of Home Builders.

A key reason for the dismal 2011 sales is that builders must compete with foreclosures and short sales — when lenders accept less for a house than what is owed on the mortgage

Builders ended 2011 with a third straight year of dismal home construction and the worst on record for single-family home building. But in a hopeful sign, single-family home construction, which makes up 70 percent of the market, increased in each of the last three months.

Courtesy of JB Goodwin