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New-Home Sales Rise as Prices Fall

Revisions Offset Durable-Goods Orders Climb

By [JEFF BATER](#)

WASHINGTON -- New-home sales climbed for the first time in seven months during February, another favorable sign for the housing sector, but the data also showed prices tumbled.

Shares of retail companies rose on Wednesday after government data showed durable goods orders and home sales rose more than expected. Home Depot was a leading gainer. (March 25)

Separately, durable-goods orders unexpectedly climbed during February, but demand in the prior month was revised down deeply, an adjustment countering the idea of a rebound in the slumping manufacturing sector.

Sales of single-family homes increased by 4.7% to a seasonally adjusted annual rate of 337,000, the Commerce Department said Wednesday. January new-home sales plunged 13.2% to an annual rate to 322,000; originally, the government said January sales fell 10.2% to 309,000.

Economists surveyed by Dow Jones Newswires expected February sales down 2.9% to a 300,000 annual rate. **The last time sales had gone up was July 2008.**

The unexpected increase marked another hint of stability in housing, long suffering from the boom in the early part of the decade. The government last week said home construction in February increased 22.2% to a seasonally adjusted 583,000 annual rate. And realtors this week reported existing-home sales advanced last month.

But year over year, new-home sales were 41.1% lower than the level in February 2008. Sales have fallen because rising layoffs pushed people from making big purchases. As sales drop, inventory stays high. That's pushed down prices. A steady decline in price can, ironically, hurt demand; reluctance to sign on the bottom line tends to grow when a would-be buyer thinks the price might drop significantly in the future. And with increased foreclosures swamping the existing-home market, new homes have been priced out.

The median price of a new home tumbled 18.1% to \$200,900 in February from \$245,300 in February 2008. The average price decreased 16.7% to \$251,000 from \$301,200 a year earlier. And prices

month over month fell, too; in January 2009, the median price was \$206,800 and the average was \$239,100.

A glut of unsold houses on the market has forced prices lower. But inventories are coming down. At the end of February, there were an estimated 330,000 homes for sale. That's below the 340,000 for sale at the end of January. The ratio of houses for sale to houses sold dropped to 12.2 from January's 12.9.

Regionally last month, new-home sales increased 6.6% in the West and 9.7% in the South. Sales fell 9.1% in the Midwest and 3.3% in the Northeast.

An estimated 27,000 homes were actually sold in February, up from 23,000 in January, based on figures not seasonally adjusted.

Durable-Goods Orders Climb

Manufacturers' orders for long-lasting goods increased by 3.4% last month to a seasonally adjusted \$165.56 billion, the Commerce Department said Wednesday.

The 3.4% increase was a big surprise. Wall Street expected a decline of 2.0% for February. It was the largest increase since 4.1% in December 2007.

But durables, which are goods designed to last at least three years, plunged 7.3% in January, revised way down from a previously estimated 4.5% decrease.

Year over year, February durables were 28.4% lower, in unadjusted terms.

A key barometer of business equipment spending -- orders for non-defense capital goods excluding aircraft -- rose by 6.6%, after plunging a downwardly revised 11.3% in January. Originally, January demand was seen down 5.4%. Year over year, orders were down 23.8%. February shipments for non-defense capital goods excluding aircraft rose by 0.6%, after dropping 8.9% in January; the shipments are used in calculating gross domestic product, which is the barometer for economic growth in the U.S.

Companies are adjusting inventories to retreating demand and have put off plans to upgrade and spend on capital equipment. Wednesday's data showed manufacturers' durable goods inventories in February decreased a second straight month, sliding 0.9%.

Within the durables data, unfilled orders are a sign of future demand. That category decreased in February a fifth month in a row, falling 1.3% -- an indication the economy will restrain the factory sector in coming months.

Recent Federal Reserve data showed U.S. industrial production dropped in February more than expected, falling by 1.4% compared to the prior month. Industries are reducing capacity rendered as excess in the slump. Capacity utilization receded to 70.9%, matching its lowest level since records began in 1967; the 1972-2008 average, by contrast, was 80.9%.

Hit particularly hard by the recession is transportation. Demand for durables in the beleaguered sector last month rose 2.0% but fell 11.9% in January and was down 43.3% on the year. Orders for commercial planes in February fell 28.9%. Military aircraft orders rose 32.4%. Motor vehicles and parts decreased by 0.6%.

Excluding the transportation sector, orders for all other durables climbed by 3.9%. Orders rose 5.6% for computers and electronics, 13.5% for machinery, 1.5% for fabricated metals, and 1.6% for electrical equipment. Orders fell 0.6% for primary metals.

Demand ex-transportation had gone lower by 5.9% in January.

February capital goods orders increased by 11.0%. Non-defense capital goods -- items meant to last 10 years or longer -- rose by 7.4%.

Defense-related capital goods orders surged 35.3%. Orders for everything except defense goods rose by 1.7% in February, after going 4.0% lower in January.

Durable-goods shipments of manufacturers fell 0.5% last month, the seventh drop in a row. Shipments over the past year were down 19.5%.

Courtesy of JB Goodwin