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New home sales drop deeper in December

Builders slashed prices, but that wasn't enough to stem a 15% monthly slide across the nation.

By Renea Merle
Washington Post
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WASHINGTON New home sales plummeted by nearly 15 percent last month as builders struggled to unload a glut of homes on the market, according to new government data. That month-over-month drop caps one of the worst years on record.

Sales fell 44.8 percent compared with the same period a year earlier. The market was weakest in the Northeast and West. Sales in those regions fell by 50 percent and 47 percent, respectively.

"I am surprised they are this bad," said David Crowe, chief economist for the National Association of Home Builders. In the South, sales were down 12 percent; they were off 6 percent in the Midwest.

In all of 2008, only 482,000 new single-family homes were sold, down 37.8 percent from 2007. That is the biggest year-over-year decline in sales on record, according to the Commerce Department.

The new home sales figures were "miserable," Abiel Reinhart, a J.P. Morgan Chase Bank analyst, said in a research note.

"Because supply and demand in the new home market are still so unbalanced, it now appears likely that the months' supply of homes will not reach comfortable levels until early 2010," he wrote. "The supply-demand imbalance also implies that any rebound in home construction activity – even a mild one – is still a number of quarters away."

Prices also tumbled. The median price for homes sold in December was \$206,500, falling 9.3 percent from \$227,700 a year earlier. Median prices have fallen to 2004 levels. It was the biggest drop since 1970. The median price for all of 2008 was \$230,600, down from \$247,900 in 2007.

Despite the price cuts, there are still too many homes on the market. It would take 12.9 months to sell all the homes on the market at the current rate, according to the Commerce Department data. That is the worst sales rate on record.



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