Sales of New U.S. Homes Dropped in February to Lowest on Record

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By Bob Willis

March 24 (Bloomberg) -- **Sales** of new homes in the U.S. unexpectedly fell in February to a record low as blizzards, unemployment and foreclosures depressed the market.

Purchases decreased 2.2 percent to an annual pace of 308,000, figures from the Commerce Department showed today in Washington. The median sales price climbed by the most in more than two years.

The new-home market is vying with foreclosure-induced declines in prices for existing homes in an economy where unemployment is forecast to average 9.6 percent this year, close to a 26-year high. Treasury Secretary Timothy F. Geithner yesterday said it would take a "long time" to repair the housing market as the administration takes steps to overhaul real-estate financing and regulation.

"It's going to be a long, slow slog and the lagging sector will be new home sales because they have to compete with existing sales and foreclosures," **Bill Hampel**, chief economist at the Credit Union National Association in Washington, said before the report. "New home sales probably have until the fourth quarter until they start recovering."

Sales were projected to climb to a 315,000 annual pace, according to the median estimate in a Bloomberg survey of 78 economists. Forecasts ranged from 275,000 to 343,000. The Commerce Department revised January data to show 315,000 sales at an annual pace, up from the previously estimated 309,000.

Goods Orders

Another Commerce Department report showed orders for long- lasting goods rose in February for a third month, while inventories and backlogs climbed by the most in more than a year, indicating the manufacturing rebound will keep propelling the recovery.

The 0.5 percent increase in bookings for durable goods was in line with the median forecast of economists surveyed by Bloomberg News and followed a 3.9 percent gain the prior month. Excluding transportation equipment, orders advanced 0.9 percent, more than anticipated.

The report on home sales showed purchases dropped in three of four U.S. regions last month, those most likely to have been influenced by the winter storms. Purchases fell 20 percent in the Northeast, 18 percent in the Midwest and 4.6 percent in the South, which includes the Washington area.

Demand climbed 21 percent in the West, pushing the year- over-year increase in that region up to 35 percent, the biggest 12-month jump since March 2004.

Higher Prices

The median price of a new home in the U.S. increased 5.2 percent to $220,500 in February from a year earlier. The advance was the largest since September 2007.

The supply of homes at the current sales rate increased to 9.2 months' worth, the highest since May, from 8.9 months in January.

Housing, the industry that triggered the worst recession in seven decades as the subprime mortgage market collapsed, showed signs of recovering in 2009 as an $8,000 first-time buyer tax credit boosted sales ahead of its originally scheduled expiration in November.

Extension of the credit for contracts signed by April and its expansion to include some current homeowners has failed to boost sales in recent months.

New-home purchases are considered a leading indicator because they are based on contract signings. Sales of previously owned homes, which make up the remainder, are compiled from closings and reflect contracts signed weeks or months earlier.

Existing Homes

Sales of **existing homes** fell 0.6 percent in February to a 5.02 million rate, the lowest since June, and the inventory of unsold homes rose to its highest level in almost two years, the National Association of Realtors reported yesterday in Washington.

Prices fro existing home have dropped due to foreclosures, which RealtyTrac Inc. forecasts will reach a record 3 million this year. Such sales draw buyers away from the market for new houses.

A lack of jobs is another hurdle to a housing recovery. Economists surveyed by Bloomberg in early March forecast the jobless rate this year will average 9.6 percent, near the 26- year high of 10.1 percent reached in October.

The end of Fed purchases of mortgage-backed securities, aimed at keeping borrowing costs low, represents another challenge for the industry. The program is scheduled to expire at the end of this month.

"Promoting and maintaining stability in the housing market is critical to achieving economic recovery and sustainable long- term growth," Geithner said in testimony before Congress yesterday. The administration will develop a "comprehensive reform proposal" beginning later this year, he said.

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