

AP

## New Home Sales Fall in May for 4th Month

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### New Home Sales Fall in May for Fourth Month, Further Proof of Housing Slump

WASHINGTON (AP) -- Sales of new homes fell in May for the fourth time in the past five months, providing further evidence of a continued slump in housing.

The Commerce Department reported Tuesday that sales of new single-family homes dropped by 1.6 percent last month to a seasonally adjusted annual rate of 915,000 units. That followed a 12.5 percent surge in April sales, which was the biggest one-month jump in more than a decade.

But the April increase, which analysts believe was heavily influenced by special factors such as the weather, marked the only strength this year. In every other month, sales have fallen as builders struggle to deal with the most serious downturn in housing in 16 years.

The median price of a new home sold in April was \$236,100, down 0.9 percent from the price a year ago. The median is the midpoint where half the homes sold for more and half for less.

The slump in sales affected most parts of the country. Sales were down 7.3 percent in the South, where half of new homes are sold, and fell an even larger 11 percent in the Northeast. Sales were also off in the West by 1.9 percent. The only region of the country that saw an increase was the Midwest, where sales jumped by 30.8 percent.

Home prices are expected to fall further in coming months as builders slash prices more to trim a glut of unsold homes in the face of deepening troubles in housing. The National Association of Home Builders reported last week that builder confidence has fallen to the lowest level in 16 years.

The troubles in housing follow a prolonged boom in which sales of both new and existing homes set records for five consecutive years. That ended in 2006 as investors, who had been lured into the market by soaring home prices, began to retreat in the face of rising mortgage rates and slumping prices, especially in the once red-hot markets.

Adding to the problems are spreading problems in mortgage lending, reflected by rising foreclosure rates as borrowers are unable to meet payments on adjustable rate loans which are now resetting at higher rates.

The inventory of unsold homes did drop by 1.1 percent May to 536,000 units but because the sales pace slowed, the length of time it would take to deplete inventories actually rose to 7.1 months, up from 7.0 months in April.

The decline in new home sales followed a report Monday that showed sales of existing homes, which make up more than four-fifths of home sales, fell for a third straight month in May to a seasonally adjusted annual rate of 5.99 million units. The median price of an existing home dropped to \$223,700, down by 2.1 percent from a year ago. It was the 10th consecutive fall in prices compared to a year ago, the longest stretch on record.

The overall economy slowed to an anemic growth rate of 0.6 percent in the first three months of this year, the slowest in more than four years, but Federal Reserve Chairman Ben Bernanke has said that he believes the economy will rebound in coming months despite the fact that the housing slowdown is lasting longer than the Fed had expected.

Many analysts believe that growth in the current April-June quarter will come in at a more respectable 3.5 percent rate even though they say that the drag from housing should last for the rest of this year.

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