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New Home Sales See Big Drop

There's a new blow for the struggling housing market. Sales of new homes in the U.S. reached a historic low in January dropping by 11.2 percent. The news, released by the United States Commerce Department came as a disappointment to economists who had predicted a 5 percent increase in new home sales for the month of January. Sales in the Northeast were especially low, declining by 35 percent.

As a result of the drastic decline the median sale price dropped by 5.6 percent down to \$203,500 from \$215,600. During 2009 a record low of 370,000 new homes were sold which is just over a third of what homebuilders were selling in 2006. The National Association of Realtors expects a sales rise to more than 500,000 new homes. The unexpected decline in sales may continue as government programs designed to encourage sales are set to expire in the coming months.

Federal Reserve Chairman Ben Bernanke testified before the House Financial Services Committee today expressing concerns over the unemployment rates saying "the job market remains quite weak, with the unemployment rate near 10 percent and job openings scarce."

Increased foreclosure properties mean more competition for home sellers while a decrease in jobs means less people can afford to purchase new homes. Chief executive officer of Toll Brothers Inc., Robert Toll released a statement today noting the last housing downturn "took several years to recover."