



Consumer Reports cars

GET THE CONSUMER REPORTS BOTTOM LINE PRICE

» [Click here for a full list of deals](#)

Featured Advertiser
 RBS and WSJ.com present
"Make it Happen"
 find out how RBS and WSJ.com can help you "Make it Happen".
[Click Here ...](#)

Accenture insights:
 Don't just add talent. Multiply it.

Bank of America IRA

Land Rover Tax

Sales of New Homes Off Sharply

By **KELLY EVANS**

December 29, 2007; Page A3

Sales of new homes fell an unexpectedly sharp 9% in November, while small gains reported for the previous two months were largely erased by downward revisions.

The magnitude of the decline, reported by the Commerce Department, surprised economists. Based on earlier sales data, some had hoped that the housing market might be beginning to stabilize. Joshua Shapiro, chief U.S. economist at research firm MFR Inc. in New York, called yesterday's report "stunningly weak."

- **The News:** Sales of new homes dropped 9% in November and were revised lower for previous months.
- **The Reaction:** The steep drop surprised economists who were hoping for signs of stabilization.
- **What's Next:** Economists will be eager to see whether sales data on existing homes, scheduled for release Dec. 31, show any improvement.

Plummeting sales are causing a lengthening backlog of unsold homes even as housing starts shrink.

At the current sales rate, it would take 9.3 months to sell off the backlog of houses -- a level exceeded only twice since 1981. That suggests that prices will continue to fall well into next

year.

Sales of new homes last month fell to a seasonally adjusted annual rate of 647,000, down from a revised October rate of 711,000. New-home sales last month were down 34.4% from November 2006. That's the largest year-to-year decline since the 35.3% decline in January 1991.

Home builders have slashed construction to try to reduce inventories. Construction has fallen 55% from its peak in January 2006, and home-builder sentiment has sunk to new lows in recent months.

New homes are the smaller share of the housing market. Existing homes comprise about 85% of the total supply, and November sales data for those homes will be released Monday. However, much of the housing bubble in recent years was fueled by builders who churned out new homes to meet demand. Low interest rates and lax lending standards helped stimulate Americans' appetite for real estate.

"We are seeing declines in home sales and construction that are very sharp," said Conrad DeQuadros, senior economist at Bear Stearns, "and it's too soon to say we won't see further weakness." Added Mr. DeQuadros, "This isn't a normal boom-bust [cycle] in housing."

Mr. DeQuadros and other economists don't expect home sales to hit bottom until well into 2008. They say sales won't pick up until prices for homes fall further.

Stephen Stanley, chief economist at RBS Greenwich Capital in Stamford, Conn., wrote in a client note that "sales will not firm up until people begin to believe that prices will be higher in a year or two, not lower."

"And that is a tricky thing to peg," Mr. Stanley said.

Declines in home prices aren't limited to the U.S. Home prices in the United Kingdom have now fallen two months in a row, according to the latest data from the Nationwide Building Society. The same fundamentals that contributed to the housing bubble in the U.S. -- low interest rates and relaxed lending standards -- prompted a similar housing run-up abroad. Now, rising interest rates across the globe and tightened mortgage and credit conditions are crippling housing markets world-wide.

Write to Kelly Evans at kelly.evans@wsj.com

[EMAIL](#) [PRINT](#) [MOST POPULAR](#)
[DIGG THIS](#) [GET RSS FEEDS](#)

MORE ON THE NUMBERS

Read the complete text of Friday's economic reports, and analysis from Briefing.com:

- New Home Sales -- [Department of Commerce; Briefing.com](#)

advertisement

Want to be smart about

	NaN%
	0%
	NaN%
undefined	
DISCLAIMER	
Learn More Scottrade Smart Text	

TODAY'S MOST POPULAR

1. [Investors Reconsider the '07 Pariahs](#)
2. [Age-Appropriate Nest Eggs](#)
3. [Torching Kills Dozens in Kenya](#)
4. [Epochal Battle Set for '08](#)
5. [Trial: What Did Buffett Know?](#)

[MORE](#)

PEOPLE WHO READ THIS...

Also read these stories:

- [Stock Rally Evaporates](#)
- [Macy's Plans to Close Nine Stores](#)
- [Payroll Report Offers Window Into Economy](#)
- [Legg Mason Lowers SIV Exposure](#)
- [How a Money Fund Melted](#)

Recommendations by [loomia](#) [What's This?](#)

E-MAIL SIGN-UP

NEW: Sign up now for **Keyword or Symbol Alerts**. [Click here](#)

Find out the latest market movements and trends in our e-mail alerts. Check the boxes below to subscribe.

- Newshound Quiz**
- The Morning Brief**
- The Afternoon Report**
- The Evening Wrap**

To view all or change any of your e-mail settings, [click to the E-Mail Setup Center](#)

Personalized Home Page Setup

Put headlines on your homepage about the companies, industries and topics that interest you most.

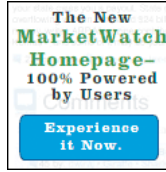
RELATED ARTICLES AND BLOGS

- Related Articles from the Online Journal
- Existing-Home Sales Edged Up In November, but Still Weak
 - Home Prices Fell 6.7% in October As Market Remains 'Grim'
 - Home Listings in 18 Metro Areas Decline
 - Japan Lifts Retailing Outlook After October's Rise in Sales

Blog Posts About This Topic

- New Home Sales Plunge 9% roguegovernment.com
- Existing home sales edge up from record low jieranai-realestate.blogspot.com

Sponsored By



[More related content](#)

Powered by Sphere

[EMAIL THIS](#)

[FORMAT FOR PRINTING](#)

[MOST POPULAR](#)

[ORDER REPRINTS](#)

Sponsored by

[DIGG THIS](#)

[GET RSS FEEDS](#)



ADVERTISERS LINKS

[What's This?](#) | [Get Listed](#)

Sleep Facts

Learn more about sleep problems: causes, signs & treatment options.

[SleepMedication.Info](#)

Hot Penny Stock Pick

EWIN China's Next Generation Multi-Media Company A Huge Opportunity!

www.AnalystStockReport.com

Rates Near Historic Lows- Refi at 4.9%

Refinance \$300k loan for only \$996/ month. Act now with Low.com!

www.low.com

[Return To Top](#)

WSJ Digital Network:

[MarketWatch](#) | [Barrons.com](#) | [CareerJournal](#) | [OpinionJournal](#) | [RealEstateJournal](#)
[CollegeJournal](#) | [AllThingsDigital](#) | [Dow Jones News Alerts](#) | [MORE](#)

[Log Out](#) [Contact Us](#) [Help](#) [Email Setup](#) [My Account/Billing](#) [Customer Service: Online](#) | [Print](#)

[Privacy Policy](#) [Subscriber Agreement & Terms of Use](#) [Mobile Devices](#) [RSS Feeds](#)

[News Licensing](#) [Advertising](#) [About Dow Jones](#)

Copyright © 2008 Dow Jones & Company, Inc. All Rights Reserved



