
[In May, new home sales fall to record low after tax credit expires](#)

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New home sales fell according to a report by the Commerce Department released June 23. A slide in new home sales statistics was expected following the home buyer tax credit expired at the end of April. But the 32.7 percent drop in May was a lot more than expected. Existing home sales dropped as well, surprising forecasters who expected them to rise. Unemployment appears to be the main reason the housing market is flagging without the tax credit. Sharp declines within the housing market are threatening the fitful U.S. economic recovery.

Source for this article: [May New home sales fall to record low in May after tax credit expires](#)

A new low - new home sales

New home sales, in March and April, surged as homebuyers hurried to purchase homes before the April 30 deadline for the tax credit. Homebuyers have until June 30 to close the deals if they want the home tax credit, but the Senate may vote to push that deadline back to Sept. 30. CNNMoney.com reports that the May decline of 32.7 percent is there to represent a drop to 300,000 homes from 446,000 in April. Sales year-over-year fell 18.3 percent. The Commerce Department said the May figures are the slowest sales pace since it started tracking home sales statistics in 1963. In September 1981, the prior record was set when new homes sold at an annual rate of 338,000.

Consumer spending takes a hit

The decline in new home sales leads to a decline in housing prices, which leads to a decline consumer spending also -- the biggest threat to economic recovery. Business Week reports the drop in residential construction will sap consumer spending that really accounts for 70 percent of the U.S. economy. There's direct correlation between home sales and spending on things like furniture, appliances and building materials. On June 11 the Commerce Department reported that sales at U.S. retailers fell 1.2 percent in May, which is the first decline that has happened in eight months, led by a record 9.3 percent plunge at building-material stores.

Government seems wary of new home sales

New home sales fell quickly across the U.S., with sales down more than 50 percent within the West. MarketWatch reports that housing market stats in May seemed dismal across the board. Housing stats fell around 10 percent, building permits fell 5.9 percent, mortgage applications dropped and also the home builders' index fell by five points. As the silver lining, mortgage rates stayed low. One more glimmer of hope could very well be that government statisticians have low confidence within the monthly Commerce Department new home sales report, which is subject to major revisions, sampling flaws and statistical errors. The government explains that it can take up to four months to set up a statistically significant trend in sales.

To blame is the US unemployment rate

New home sales are being affected by the U.S. job market. Edward Leamer, who's an economist at the University of California, Los Angeles, told MarketWatch that unemployment is the main reason housing is weakening without the tax credit to spur demand. The U.S. economy would have to grow at a 6 percent rate to create "significant reductions" in joblessness. "People won't buy homes when they are worried about their jobs," he told them.

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CNN Money.com

money.cnn.com/2010/06/23/real_estate/new_home_sales/?npt=NP1

businessweek.com

businessweek.com/news/2010-06-23/housing-market-threatens-u-s-recovery-as-sales-slide.html

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