



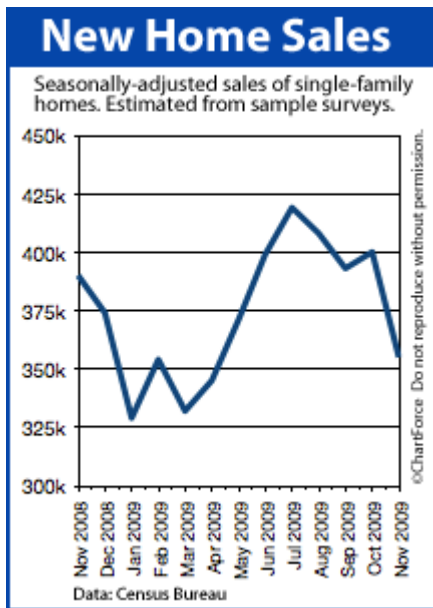
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## There's A Very Good Reason Why The New Home Sales Data Plunged In November

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One day after November’s Existing Home Sales report [blew away estimates](#), the Census Bureau’s related New Homes Sales report failed to impress.

A “new home” is a home that is newly-constructed; not bought as a resale.

In a lackluster showing, New Home Sales dropped 11 percent in November, falling to the lowest levels since April. Furthermore, the all-important “months of supply” climbed by a half-month to 7.9.

The press pounced on the figures and if you only read the headlines, you’d think that housing had cratered. Some of the angles were quite bold, even:

- Weak U.S. Home Sales Show Recovery’s Shakiness ([Reuters](#))
- New Home Sales Plunge In November ([CNNMoney.com](#))
- Housing Forecast : Off Life Support, Still In Critical Care ([CBS News](#))

These headlines, although technically accurate, only tell half the story, however. The *other* half relates to November 30’s role as the original First-Time Home Buyer Tax Credit ending date.

See, different from home resales, when a contract is written on a newly-built home, the home is rarely finished. According to the Census Bureau, [just 1 in 4 new homes](#) are sold “move-in ready”. The other 3 of 4 are in various stages of construction when a buyer signs on the dotted line.

Some have yet to break ground, even.

Regardless, it’s at this date of signing that the Census Bureau counts the home as “sold” — not at the actual closing. This is the main driver of the November New Home Sales data dip.

First-time home buyers would have risked up to \$8,000 in federal tax credits if they bought a newly-built home and it wasn’t ready for move-in by November 30, 2009. And it wasn’t until November 5 that the credit was officially extended.

Suddenly, first-timers representing more than half of last month’s Existing Home Sales isn’t so shocking. Buying new carried a lot risk.

There’s always more to the story than the headline. Sometimes, you have to dig deeper. Looking back over 10 months, the housing market is on a steady course of improvement. November’s New Home Sales data — although weak — is not terrible.

Despite what the papers might say.