

October 26, 2006

Home Price Drop Is Largest in 35 Years

By THE ASSOCIATED PRESS

Filed at 11:16 a.m. ET

WASHINGTON (AP) -- The median price of a new home plunged in September by the largest amount in more than 35 years, even as the pace of sales rebounded for a second month.

The Commerce Department reported that the median price for a new home sold in September was \$217,100, a drop of 9.7 percent from September 2005. It was the lowest median price for a new home since September 2004 and the sharpest year-over-year decline since December 1970. The weakness in new home prices was even sharper than a 2.5 percent fall in the price of existing homes last month, which had been the biggest drop on record.

The price decline for new homes came while the sales pace picked up, rising by 5.3 percent to a seasonally adjusted annual rate 1.075 million homes. It marked the second consecutive increase in sales following three months of declines.

The declines in prices served to underscore the severity of the correction in the once-booming housing market, which had seen sales of both new and existing homes soar to record levels for five consecutive years, propelled by the lowest mortgage rates in more than four decades.

This year, with mortgage rates rising through midsummer, sales have cooled considerably, with housing expected to trim more than a percentage point from overall growth in the last half of the year.

The debate is whether the slowdown will be enough to push the country into an outright recession. The Federal Reserve, recognizing the weakness in housing, halted a two-year string of interest rate increases in August and left rates unchanged for a third straight meeting on Wednesday.

The Fed, however, gave no indication that it planned to start cutting rates because of the weakness in housing, saying it was still concerned that inflation remained too high.

The 5.3 percent rise in new home sales in September followed a 3.8 percent rise in August and was the biggest one-month gain since an 8 percent increase in March. However, sales had fallen for three straight months from May through July.

The rise in sales last month was led by a 23.9 percent jump in the West. Sales were also up 6.9 percent in the South. However, sales fell by 34.5 percent in the Northeast and were down 6.3 percent in the Midwest.

In other economic news, the government said that orders to U.S. factories for big-ticket manufactured goods, powered by a huge jump in demand for commercial jetliners, soared in September by the largest

amount in more than six years.

The Commerce Department reported that orders for durable goods rose by 7.8 percent last month to \$226.7 billion. The increase followed two consecutive months of declines and was the biggest gain since June 2000.

The improvement was more than triple the 2.3 percent gain that Wall Street had been expecting, but virtually all of the strength came from a giant 183.2 percent increase in orders for commercial aircraft. Outside of transportation, orders were up a far weaker 0.1 percent.

In a third report, the Labor Department said the number of newly laid off workers filing claims for unemployment benefits rose by 8,000 last week to a seasonally adjusted 308,000. That increase was in line with expectations.

The September 7.8 percent increase in factory orders followed declines of 0.1 percent in August and 2.8 percent in July. Despite last month's jump, analysts believe that the factory sector is slowing under the impact of a weakening overall economy.

The economy began the year with growth at a sizzling pace of 5.6 percent at an annual rate but saw that slow to 2.6 percent in the spring and analysts believe overall economic growth in the just-completed July-September quarter slowed even further to around 2 percent or less. The government will report the actual third quarter figure on Friday.

For September, transportation orders rose by 27.6 percent as the big jump in demand for commercial aircraft offset a 6.1 percent drop in orders to automakers, who have been struggling recently under the impact of weak sales of trucks and sport utility vehicles.

The rise in commercial airplane orders had been expected, given that [Boeing](#) Co. booked new orders for 175 planes, up from 30 in the prior month.

[Copyright 2006 The Associated Press](#)

[Privacy Policy](#) | [Search](#) | [Corrections](#) | [RSS](#) | [First Look](#) | [Help](#) | [Contact Us](#) | [Work for Us](#) | [Site Map](#)
