New home sales slump

High inventory, credit squeeze idle builders

By Angelia Davis
STAFF WRITER
adavis@greenvillenews.com

Fewer new homes are going up locally and across the nation as builders pull back to deal with credit and inventory problems.

The U.S. Department of Commerce on Wednesday said sales new homes in January 2010 fell 11.2 percent from December 2009 and were 6.1 percent below January 2009 to 309,000.

New home sales were down by 9.5 percent in the South, 2.1 percent in the Midwest, 35.1 percent in the Northeast, and up 11.4 percent in the West.

State and county new home sales figures were not available, but Thomas Dillard, a custom home builder and president of the Greenville Homebuilders Association, said sales of new homes in the Upstate are "too low." He attributes that partly to "market upheaval and foreclosures."

"These factors are pulling existing home prices down, and the sellers who experienced appreciation for many years are able to drop prices, so many buyers are moving to these bargains," he said. "Most builders with spec inventory cannot afford to sell their homes at a huge loss, so this impacts new home sales."

Dillard and local custom builder Brad Thompson both cite reduced lending by financial institutions as a major issue.

Thompson has said banks now require higher down payments from buyers, and loans for spec building are "just not there."

Walter Molony, spokesman for the National Association of Realtors, said builders across the nation are pulling back on construction "to support the price of inventory out there and because of the difficulty in getting loans."

As sales of new homes decline, existing home sales have risen. January sales of existing homes in Greater Greenville were up 10.3 percent compared to January 2009. In the same period, sales were up 15.2 percent statewide.

The new home market tends to heal later than the existing home market because new housing is geared toward the repeat and trade up buyers, they're generally larger homes and usually more expensive, Molony said.

"You need a prolonged recovery in the existing home market to see people being able to sell their existing homes and be able to trade up to new homes," he said.

The association believes the new home market is at the bottom, but February sales may be even weaker because of the weather.

"New home (sales) are based on contracts, and people have not been able to shop this month with the really unusually bad weather conditions," he said.