

New home sales up, but sales remain slow

New home sales in June tick up slightly, but sales remain low as demand for housing slumps



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WASHINGTON (AP) -- Sales of new homes jumped last month, but it was the second-weakest month on record. The lackluster economy has made potential buyers skittish about shopping for homes.

New home sales rose nearly 24 percent in June from a month earlier to a seasonally adjusted annual sales pace of 330,000, the Commerce Department said Monday. May's number was revised downward to a rate of 267,000, the slowest pace on records dating back to 1963. Sales for April and March were also revised downward.

High unemployment, low job growth, and tight credit have kept people from buying homes. The industry received a boost this spring when the government offered tax credits to homebuyers. But since they expired in April, the number of people looking to buy has dropped, even with the lowest mortgage rates in decades available.

"There's no question that this is a weak number, but it seems to be more stable," said Stuart Hoffman, chief economist at PNC Financial Services Group. "The bottom line to all of this is that we need more jobs."

Sales are down 72 percent from their peak annual rate of 1.39 million in July 2005. More than 600,000 new homes were sold annually from 1983 through 2007. **After the housing bubble popped, sales plunged to 375,000 last year. That was the weakest yearly total on records dating back to 1963.**

New home sales made up about 7 percent of the housing market last year. That's down from about 15 percent before the bust.

Weak sales mean fewer jobs in the construction industry, which normally power economic recoveries. Each new home built creates, on average, the equivalent of three jobs for a year and generates about \$90,000 in taxes paid to local and federal authorities, according to the National Association of Home Builders. The impact is felt across multiple industries.

Builders have sharply scaled back construction in the face of a severe housing market bust. **The number of new homes up for sale in March fell 1.4 percent to 210,000, the lowest level in nearly 42 years.**

Due to the sluggish sales pace, it would take eight months to exhaust that supply. That's above a healthy level of about six months.

The median sales price in June was \$213,400. That was down 0.6 percent from a year earlier and down 1.4 percent from May.

New home sales rose by 46 percent in the Northeast, 33 percent in the South and 21 percent in the Midwest. The West posted a decline of nearly 7 percent.

"One month doesn't make a trend and the roadblocks to a healthy housing market are high, the most important one being the still-high jobless rate," wrote BMO Capital Markets economist Jennifer Lee in a note to clients. "But with borrowing costs at record lows, prices also remaining low, those with jobs who can afford a home may be enticed."

Courtesy of JB Goodwin