

New-home sales post big gain in July

Durable-goods orders also jump.

By Jack Healy
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Sales of new homes surged nearly 10 percent from June to July in another sign of a gathering turnaround in the country's long-suffering housing market.

The Commerce Department reported that new-home sales rose 9.6 percent to a seasonally adjusted rate of 433,000 in July. The numbers came on the heels of other reports that have showed housing prices rising in many big cities and sales of previously owned homes picking up. Sales, however, were still down 13.4 percent from a year ago.

As new-home sales surged in the Northeast and the South, the glut of unsold, newly built homes shrank slightly.

The inventory of homes for sale fell to a seasonally adjusted 271,000, which would take 7 1/2 months to sell at the current pace. That is a higher supply of homes than normal but down sharply from a 12-month supply earlier this year.

Inventories are falling in part because construction companies aren't building houses at the pace they were during real estate's boom years. Credit for builders remains tight, and builders are being undercut in many markets by distressed properties such as foreclosures and short sales by homeowners seeking to get out from under their mortgages.

In a sign of those troubles, new homes were spending more than a year on the market before they sold — double the median time of six months it took to sell a new house in 2007.

"It's really hard to sell a new home if you're a builder," said Patrick Newport, an economist at IHS Global Insight. "It's just a brutal market."

Wednesday's report came a day after the latest Standard & Poor's Case-Shiller home price index showed improvement in 18 of the 20 cities tracked, up from eight in May, four in April and one in March.

In a more measured sign of the economy's progress, new orders for durable goods such as computers, cars and machinery leaped last month by the most in two years, the government reported in a separate release Wednesday.

Economists, however, said the numbers were less positive than they appeared.

Much of the 4.9 percent increase in orders came from a 107 percent spike in orders for civilian aircraft, a volatile area that can rise and fall dramatically month to month. Economists had forecast a 3 percent increase. Excluding transportation, durable goods orders rose by a more modest 0.8 percent in July, the Commerce Department reported.

As economists look for signs that the recession is ending, they are paying close attention to orders for manufactured goods. A sustained increase in shipments and orders of machinery, fabricated metals, electronic equipment and other goods would signify that businesses are increasing production and replacing their depleted inventories.

Orders for durable goods have increased in three of the past four months, but they fell by a revised 1.3 percent in June — up from 2.2 percent decline — a sign that the economy was still struggling to emerge from the deepest recession in decades.

Economists had been expecting a 3 percent increase in durable-goods orders, and despite the muted figures Wednesday, they said manufacturers had been gradually coming back to life. Industrial production is ticking up, according to the latest figures from the Federal Reserve, and some of the enormous slack in the economy — in the form of unused production capacity — is being drawn taut.

"It looks like business investment in general is turning a corner," said Kurt Karl, chief U.S. economist at Swiss Re.

For the month, orders for metals, appliances, electrical equipment and communications equipment all increased while those for computers and machinery fell. New orders and shipments of motor vehicles also rose as automakers restarted some assembly lines after idling them earlier this spring.

"There's a definite turn," said Stuart Hoffman, chief economist at PNC Financial. "It's not just aircraft. It's not just motor vehicles. The trend of the last three months is clearly positive. I do think there's a sign here that the manufacturing sector hit bottom, and we're showing some improvement."

Courtesy of JB Goodwin