

New-Home Sales Provide Small Lift

By [ALAN ZIBEL](#) And [LUCA DI LEO](#)

WASHINGTON—Sales of new homes increased in March from an all-time low a month earlier, a small boost for a struggling part of the U.S. economy.

Sales grew 11.1% on a monthly basis to a seasonally adjusted annual rate of 300,000 in March, the Commerce Department said Monday. Results for the previous two months were revised upward.

Economists surveyed by Dow Jones Newswires had predicted the sales rate would rise 14.8% to an annual rate of 287,000. Sales, however, were down 21.9% from March 2010.

Coming off the worst year for new-home sales on record in 2010, the housing market continues to struggle to recover from the housing-market bust.

The median sales price for a new home sold last month was \$213,800, up 2.9% from \$207,700 a month earlier but down 4.9% from the same month last year.

February's sales figures were revised to a 13.5% decline from a month earlier to a seasonally adjusted annual rate of 270,000, versus the previous estimate of 250,000. January's results also were revised upward.

With the housing bust now dragging into its fifth year, President Barack Obama last week said the sector is "probably the biggest drag on the economy right now."

Deeply discounted foreclosed properties are providing tough competition for builders. In addition, consumers are jittery about falling prices and are having a hard time qualifying for mortgages under tightened lending standards. A stormy winter in many parts of the country kept some would-be buyers indoors.

The number of new homes for sale at the end of March was down slightly to 183,000, the lowest inventory level since August 1967. Still, because of the slow sales pace, that supply would take 7.3 months to deplete. A six-month supply of new homes is considered healthy. The supply in February was 8.2 months.

Only 323,000 homes were sold in 2010, the worst annual total on record and down more than 13% from 2009, which was the second-worst year.

Economists at Wells Fargo Securities project only modest increases over the next two years, with 330,000 new-home sales likely this year, followed by 440,000 in 2012. It is likely to take another three years before new-home sales return to healthy annual sales of about 770,000, according to Wells Fargo economist Anika Khan.

Builders continue to struggle to make money. So far this month, builders [KB Home](#) and [NVR Inc.](#) have posted disappointing first-quarter results. This doesn't bode well for peers like [Ryland Group Inc.](#), [Meritage Homes Corp.](#), [PulteGroup Inc.](#), [M/I Homes Inc.](#), [Standard Pacific Corp.](#) and [D.R. Horton Inc.](#), all of which publish their earnings reports later this week.

The Commerce Department report said new-home sales in March rose in three out of four U.S. regions on a monthly basis, including a 66.7% jump in the Northeast, a 25.9% rise in the West and a 12.9% gain in the Midwest. Sales fell by 0.6% in the South.

Courtesy of JB Goodwin