BUSINESS

Americans buying new homes at fastest pace in past 2 years

Commerce Department offers good news amid slow job growth: 7.6% April-May rise in sales

By Martin Crutsinger
Associated Press

WASHINGTON — Americans bought new homes in May at the fastest pace in more than two years.

The Commerce Department said Monday that sales of new homes increased 7.6 percent in May from April to a seasonally adjusted annual rate of 369,000 homes. That's the best pace since April 2010, the last month that buyers could qualify for a federal homebuying tax credit.

But the annual sales pace is less than half the 700,000 that economists consider to be healthy. Yet the increase follows other signs that show the housing market is improving nearly five years after the bubble burst.

Among them: Builders are starting to build more homes. Mortgage rates have plunged to the lowest levels on record, making homebuying more affordable. Prices remain low and have started to stabilize.

Though new homes represent less than 20 percent of the housing market, they have an outsize effect on the economy. Each home built creates an average of three jobs for a year and generates about $90,000 in tax revenue, according to the National Association of Home Builders.

Home prices could rise because the supply of new homes for sale remains extremely low.

Just 145,000 new homes were for sale in May. That follows the 144,000 available in April, the lowest on records dating back to 1963. At the current sales pace, it would take 4.7 months to exhaust the supply. Economists consider a six-month supply healthy.

The median price of a new home sold in May edged down 0.6 percent from April to $234,500. But the price was 5.6 percent higher than the same month one year ago.