August new home sales second slowest

BY ALAN ZIBEL
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WASHINGTON — Sales of new homes had their second-worst month on record in August, signaling that the housing market will remain a drag on the economy.

Last month's new home sales were unchanged from a month earlier at a seasonally adjusted annual sales pace of 288,000, the Commerce Department said Friday. Sales were down by 29 percent from the same month a year earlier.

Normally the building industry powers economic recoveries. Each new home built creates, on average, the equivalent of three jobs for a year and generates about $90,000 in taxes, according to the National Association of Home Builders.

But housing has been at the center of this downturn and it shows no signs of recovering quickly.

The only time new home sales were slower was in May, when the sales pace was 282,000. That's the worst pace on records dating back to 1963. July's results had been the worst on record, but were adjusted upward.

High unemployment, tight credit and uncertainty about home prices have kept people from buying homes. Government tax credits boosted the market earlier in the year, but those expired in April.

The median sales price in August was $204,700. That was down 1.2 percent from a year earlier and the lowest since December 2003.

Gains in Western and Northeastern states canceled out losses in the Midwest and South. Sales grew by more than 54 percent in the West and by 17 percent in the Northeast. They fell 26 percent in the Midwest and 11 percent in the South.

Builders are competing with millions of foreclosures and other distressed properties that show no signs of abating. They are unlikely to ramp up construction until those are cleared away and demand for new homes picks up.



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In this photo taken Aug. 31, a new price sign hangs near a home for sale in Palo Alto, Calif. Sales of previously occupied homes rose last month, but not enough to keep August from being the second-worst month for sales in more than a decade.