Bargains, tax break spur sale of homes

Experts see real estate market bouncing back

By Alan Zibel and Alex Veiga
THE ASSOCIATED PRESS

WASHINGTON — New home sales rose last month at the fastest clip in more than eight years as buyers eagerly took advantage of bargain prices — a clear sign, economists said, that the real estate market may finally be bouncing back.

Historically low interest rates and a federal tax credit for first-time homeowners also helped push home sales to their highest level since November, the Commerce Department reported Monday.

While home prices are still falling around the country, sales have now risen for three months in a row. Construction of new homes is at the busiest level since last fall. And home resales rose in June for the third straight month.

"The worst of the housing recession," said David Resler, chief economist at Nomura Securities, "is now behind us." And as with the overall economy, the "recovery" is likely to be slow and arduous, he said.

Put in perspective, the improvement in sales is modest. The pace of sales for new homes in June was still 72 percent below the peak of four summers ago, and there is still an enormous inventory of homes lingering on the market.

"There's been signs of improvement, but we're a long ways off from being back to a normal market," said Corey Barton, president of CBH Homes in Meridian, Idaho. Sales were up there in June, but he stressed: "It wasn't our biggest jump in eight years."

The housing market is showing more signs of life than it has at any point since the recession began. Keystone Custom Homes of Lancaster, Pa., which was founded in 1992, had its best June ever. July is looking good, and President Larry Wisdom expects an even stronger August.

"We doubled our sales in May, and then in June it took off," he said.

New home sales for June clocked in at a seasonally adjusted annual rate of 384,000, blowing past the expectations of economists surveyed by Thomson Reuters, who were looking for 360,000.

The figure is up 11 percent from May, and May's number of 346,000 was higher than previously thought. The increase is the largest since December 2000.

Sales were strongest in the Midwest, up 43 percent from May's total. Sales climbed 29 percent in the Northeast and 23 percent in the West but fell slightly in the South.

The median sales price was $206,200, down from $234,300 a year ago and $219,000 from May. Economists expect home prices to continue falling until the competition from low-priced foreclosures ebbs sometime next year.

In addition to lower prices, buyers are rushing to take advantage of a federal tax credit that covers 10 percent of the home price or up to $8,000 for first-time buyers.

SALES
FROM PAGE 1A