Home sales leap in October

Hefty jump comes after September drop

By Josh Boak
Associated Press

WASHINGTON — Americans ramped up purchases of new homes in October after three months of soft sales, evidence that the housing recovery is improving fitfully.

Sales of new homes grew 25.4 percent to a seasonally adjusted annual rate of 444,000, the Commerce Department said Wednesday. That was the largest monthly percentage increase since May 1980.

But the increase came after sales had fallen 6.6 percent in September to a 354,000 annual rate, the weakest since April 2012. And sales in August and July were revised lower to 379,000 and 373,000, respectively.

Sales had slowed over the summer after mortgage rates rose sharply and a limited number of homes for sale boosted prices. The combination made home-buying less affordable.

New homes sales have risen 21.6 percent higher for the 12 months ending in October. Still, the pace remains well below the 700,000 consistent with a healthy market.

"The report suggests sharp weakening through September and then a rebound in October, but the volatility in the data argues against putting much emphasis on a single month," said Jim O'Sullivan, chief U.S. economist for High Frequency Economics.

Prices for new homes eased in October. They fell 4.5 percent to $245,800 from September and have declined slightly over the past 12 months.

The number of new homes available for sale was 183,000 in October.

That's still relatively lean — at the August sales' pace it would almost take five months to exhaust the supply.

The Commerce Department delayed the release of the September sales figures because of the partial government shutdown in October.

As a result, new home sales for October and September were released on Wednesday.

Mortgage rates are nearly a full percentage point higher than the spring.