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Homebuilder confidence sinks for 3rd month

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Construction worker Brian Stocks delivers doors to a new home under construction in Springfield, Ill.

WASHINGTON — Homebuilder confidence dropped for the third straight month in August as the struggling economy and a flood of cheap foreclosed properties kept people from buying new homes.

The National Association of Home Builders said its monthly index of builders' sentiment about the housing market fell to 13, the lowest reading since March 2009. The index is adjusted for seasonal factors.

Readings below 50 indicate negative sentiment about the market. The last time the index was above 50 was in April 2006.

Fewer people are buying new homes, even though prices have stabilized in the past year and those who have good credit can qualify for the lowest mortgage rates in decades. The market is struggling because jobs are scarce and credit is tight. And many analysts predict home prices are likely to drop again in the fall.

"Buyers just aren't stepping up to the plate," wrote Mike Larson, real estate analyst with Weiss Research. "Unless and until the job market improves, we are simply not going to get any traction in the housing market."

Another key reading of housing activity will come Tuesday when the Commerce Department releases its report on home construction in July. Construction plunged in June to the lowest level since October.

Builders say consumers are worried about the weak recovery and job market. Among those who are buying, many are opting for deeply discounted foreclosed properties. The industry had received a boost in the spring when the federal government offered tax credits of up to $8,000. But those expired in April and the market has struggled since.

"Builders are expressing the same concerns that they are hearing from consumers right now, particularly the sense that the overall economy and job market aren't gaining any traction," said Bob Jones, a builder from Bloomfield Hills, Mich. and the trade group's chairman. Nearly 90 percent of 462 builders surveyed reported that their market has been hurt by foreclosures.

The survey suggests the market will remain sluggish for the rest of the year. The index is broken into three separate readings. Its index measuring expectations for the next six months fell three points to 18. Current sales conditions fell one point to 14 and foot traffic from prospective buyers was unchanged at 10.

New home sales made up about 7 percent of the housing market last year. That's down from about 15 percent before the bust.

Weak sales mean fewer jobs in the construction industry, which normally 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 paid to local and federal authorities, according to the builders' trade group. The impact is felt across multiple industries.

The building industry has sharply scaled back construction after the housing market bubble burst. The number of new homes up for sale in June fell 1.4 percent from a month earlier to 210,000, the lowest level in nearly 42 years.

But due to the sluggish sales pace, it would take eight months to exhaust that supply. That's above a healthy level of about six months.