MONEY

Housing, confidence rebound

More Americans plan to buy a home

Paul Davidson
@PDavidsonusat
USA TODAY

Economic reports Tuesday spelled good news for consumers, as the housing market continued to bounce back from a brutal winter, home-price gains moderated, and consumer confidence surged to a post-recession high.

New-home sales jumped 18.6% in May to a seasonally adjusted annual rate of 504,000, the Census Bureau said. That's the sharpest increase since 1992 and the strongest sales pace since 2008.

An unusually high share of new homes sold last month were not yet under construction — 36.7% — says Richard Moody, chief economist of Regions Financial. That likely reflects a lean supply and foreshadows stronger single-family home construction in coming months, he says.

The report was the second this week to signal a rebounding housing market. On Monday, the National Association of Realtors said existing home sales rose 4.9% last month, the strongest monthly gain in nearly three years.

At the same time, home prices are continuing to rise but at a slower pace. The Standard & Poor's/Case-Shiller index of home prices in 20 large cities ticked up 1.1% in April and is up 10.8% over the previous 12 months. In March, the index posted an annual gain of 12.4%.

IHS Global Insight called the report "welcome news," noting that while prices continue to drift higher, allowing homeowners to build equity, "we're not looking at a bubble." Home prices rose more than 13% last year, making it difficult for first-time buyers to enter the market.

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85.2
The Conference Board's June index rate is highest since January 2008.

+18.6%
New home sales, May vs. April. Sales hit an annual rate of 504,000, highest since May 2008.

+10.8%
S&P/Case-Shiller 20-city home price index, April 2013 vs. April 2014.

The growing number of Americans who plan to buy a home in the next six months, along with surging stocks and stronger job growth, lifted consumers' outlook to a six-year high this month.

The Conference Board's consumer confidence index rose to 85.2 from 83.5 in May. That's the highest since January 2008.

The economy shrank in the first quarter for the first time in three years, but the mood of consumers is shaped more by the job market's recent improvement. Since February, monthly job gains have averaged 231,000, vs. 194,000 in 2013.

The jump in the index was largely driven by consumer's view of current conditions. Those saying business conditions are good rose to 23% from 21.1%; those saying conditions are bad fell to 22.8% from 24.6%.