June new home sales rise 11 percent

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Associated Press

WASHINGTON — New home sales in June posted the fastest increase in more than eight years as buyers took advantage of bargain prices, low interest rates and a federal tax credit for first-time homeowners.

While home prices are still falling, the figures released Monday were another sign the housing market is finally bouncing back. Earlier this month, the government reported that new home construction rose to the highest level since last fall. And data out last week showed home resales rose almost 4 percent in June, the third straight monthly increase.

"The worst of the housing recession ... is now behind us," said David Resler, chief economist at Nomura Securities. "We're turning the corner toward increased activity in housing."

New home sales rose 11 percent in June to a seasonally adjusted annual rate of 384,000, from an upwardly revised May rate of 346,000, the Commerce Department reported Monday.

Shares of big homebuilders soared on the news, with Beazer Homes USA up by more than 13 percent and Hovnanian Enterprises rising 8 percent in afternoon trading. But with home prices still falling, these companies won't be making much money anytime soon.

The median sales price of $206,200 was down 12 percent from $234,300 a year earlier and off nearly 6 percent from $219,000 in May.

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

"The window of opportunity is closing," said Bernard Markstein, senior economist for the National Association of Home Builders.

June's results were the strongest sales pace since November 2008 and exceeded the forecasts of economists surveyed by Thomson Reuters, who expected a pace of 360,000 units. The last time sales rose so dramatically was in December 2000.

There were 281,000 new homes for sale at the end of June, down more than 4 percent from May. At the current sales pace, that represents 8.8 months of supply — the lowest level since October 2007. If that number falls to just over 6 months, analysts say, builders will feel more comfortable ramping up construction.

Fallout from the housing crisis has played a central role in the U.S. recession, now the longest since World War II. Foreclosures have spiked, homebuilders have slashed construction, and financial companies have lost billions.

But it will still be a while before homebuilders turn into an engine for the economic recovery. Construction levels are still weak because builders still have too many unsold homes sitting vacant.



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In this file photo a new home sign points to a home in Happy Valley, Ore. The government said Monday new U.S. home sales rose by the largest amount in nearly nine years last month, in another sign the housing market is finally bouncing back from the worst downturn in decades.