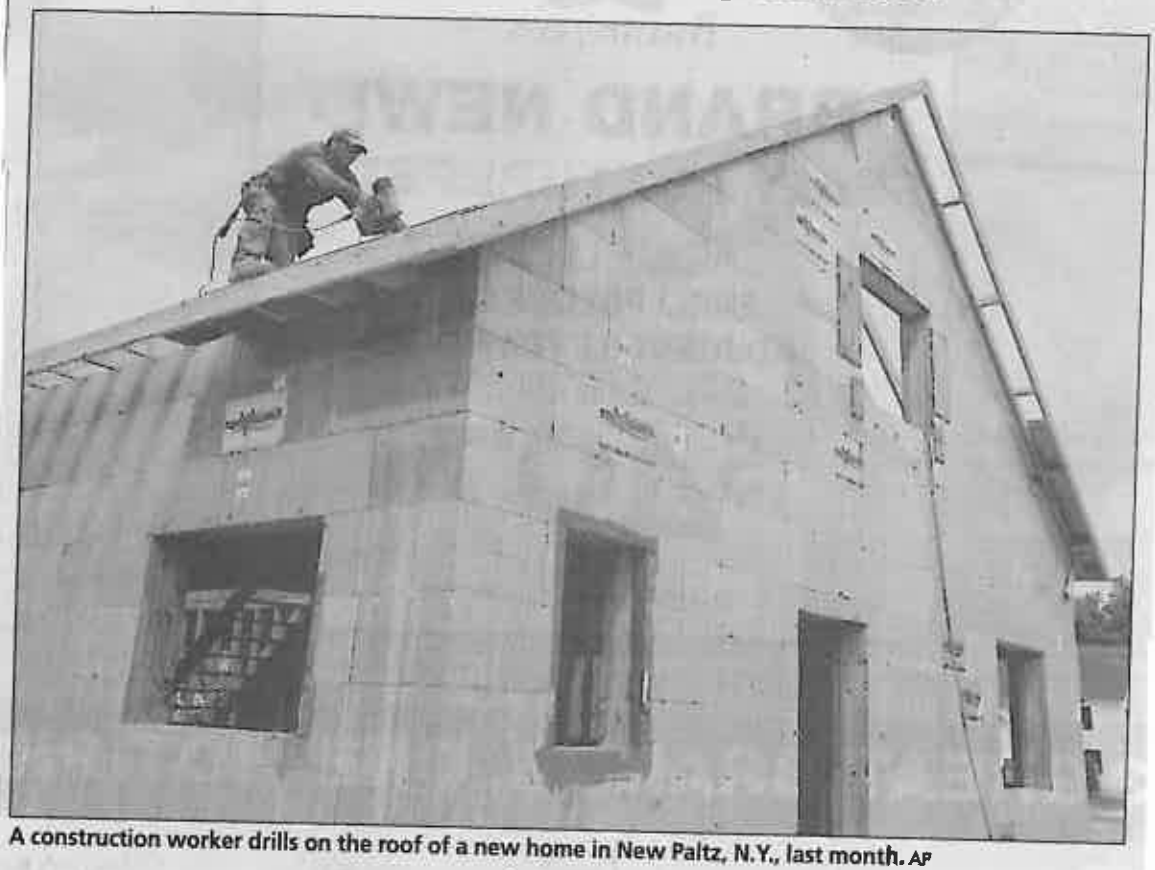
Shadow on housing market



A construction worker drills on the roof of a new home in New Paltz, N.Y., last month. AP

New home sales fall in July as rates climb

Sales fell even though more houses available

By Tim Mullaney
USA Today

New home sales plunged 13.4 percent in July, in one of the first signs that higher mortgage rates may be cutting into home demand.

Sales fell to a seasonally adjusted rate of 394,000 a year, from 497,000 in June, the Census Bureau reported Friday. Sales were 6.8 percent higher than last July.

The median price was $257,200, up from $249,700 last month, and there were 171,000 homes for sale at the end of July, representing a five-month supply at the current sales pace.

The report was concerning because sales fell even though more homes were for sale, said Jed Kolko, chief economist at real-estate Web site Trulia.com. Previously, new home sales have stayed well short of pre-recession highs because of a shortage of homes on the market.

"I think we can chalk it up to higher rates," Moody's Analytics economist Greg Bird said. "This was going to be the month you would see it."

Next month's report on sales of existing-home sales will help make clear whether rates are curbing buyers' appetites, he said.

Interest rates on 30-year mortgages have risen more than a percentage point since May, though they remain very low by historical standards. Freddie Mac said Thursday that the average fixed-rate, 30-year mortgage carries a 4.58 percent interest rate, up from 3.35 percent before Federal Reserve Chairman Ben Bernanke hinted that the central bank would slow down its $85 billion in monthly bond purchases, which have pushed down rates.

But the jump since May means the monthly payment on the average new home, which cost $322,700 last month, has risen more than $180 to $1,327, according to Bankrate.com. Payments on the median-priced house are $146 higher than they would be at rates from early May.