New home sales hit slump

'Fits and starts' seen in market's recovery

By Christopher S. Rugaber
Associated Press

WASHINGTON — Americans bought fewer new homes in June after sales jumped to a two-year high in May.

The Commerce Department said Wednesday that sales of new homes fell 8.4 percent last month from May to a seasonally adjusted annual rate of 350,000. That's the biggest drop since February 2011.

Nationwide, sales in May and April were revised much higher. June's sales pace is 15.1 percent higher than the same month last year. But sales remain well below the 700,000 annual rate that economists equate with healthy markets.

"While a housing recovery is under way ... fits and starts are to be expected and clearly this summer is one of the 'fits,' " Dan Greenhaus, chief economic strategist at BTIG LLC, said in a note to clients.

Signs of improvement

The housing market has started to show signs of recovery this year, including the following:

» Builders are more confident and breaking ground on more homes.

» Mortgage rates are at record lows.

» Home prices nationwide have stabilized after losing a third of their value in the past six years. Sales of new and previously occupied homes are up, although the increases have been choppy.

» Sales of previously occupied homes fell in June to their lowest level since October. But sales were up 4.5 percent from a year ago, evidence that a modest recovery is still under way.

KEY REPORT COMING UP

April-June quarter: On Friday, the government will issue its first estimate for economic growth in the April-June quarter.

Expected: Economists have cut back on their forecasts in recent weeks, and now expect growth at an annual rate of only 1.5 percent. That's below the 1.9 percent pace in the first three months of the year.