New-home sales plunge in March

Cold, stormy weather deters buyers from going on the hunt

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Sales of new single-family homes collapsed last month as the housing recovery continued to struggle for momentum.

New-home sales fell 14.5% to a seasonally adjusted annual rate of 384,000, down from February's revised pace of 449,000, the Census Bureau said.

Although sales for December through February were revised up by a net 20,000, the unexpectedly weak March figure provided further evidence that the spring selling season got off to a sluggish start. Economists expected an annual sales rate of 450,000, according to the median forecast in Action Economics' survey.

Experts say cold and stormy weather continued to impede house-hunting. "Housing may be slower to rebound after the adverse winter than other sectors of the U.S. economy," Barclays Capital economist MIchael Gapen said in a research note.

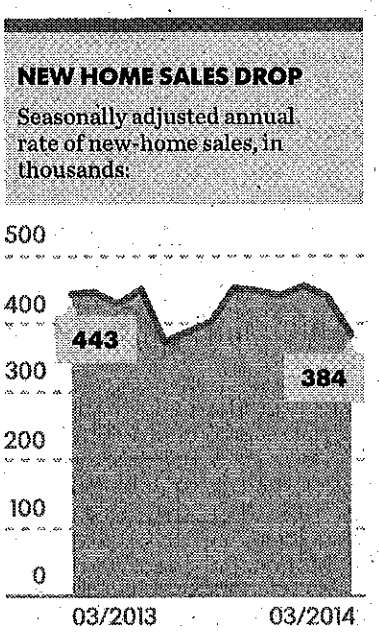
A separate report this week showed existing-home sales fell slightly last month.

Still, the impact of the weather was far from clear-cut. Sales fell 16.7% in the West, which did not suffer harsh conditions last month, and rose 12.5% in the Northeast. Sales declined 21.5% in the Midwest and 14.4% in the South.

"The slowing appears to be more than just inclement weather," UBS said in a research note.

Both home prices and borrowing costs have drifted upward in the past year. Rates on 30-year mortgages have risen to 4.27% from 3.4% a year ago. UBS notes that an index of mortgage applications has weakened in recent months.

Meanwhile, the median price of new homes sold last month was $290,000 — 13% higher than in March 2013, the Census Bureau said.



Source Census Bureau from Haver Analytics
FRANK POMPA, USA TODAY

The tepid sales helped push up new-home inventories from a five-month to a six-month supply — which marks the highest level since September 2011 and typically signifies a balanced market

Overall, however, supplies have been limited. Builders have complained of rising construction costs, labor shortages and fewer available lots as obstacles to adding more inventory, says RBS Senior U.S. Economist Omair Sharif in a research note. With prices rising, builders may be hanging on to unbuilt or partially built properties until prices increase further, UBS says.

The good news is the housing market is still on the mend following the mid-2000s crash. The roughly 430,000 annual pace of new-home sales so far this year and in 2013 is up from 369,000 in 2012 and 305,000 in 2011. But it remains less than half the 1 million-plus average the industry posted from 2000 to 2006.

Sharif says job growth and rising household formation should lift the housing market further this year, but the pace "is likely to be gradual."