BUSINESS

New home sales rising, slowly

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Job fears keep buyers on sidelines despite record low mortgage rates

By Alan Zibel
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WASHINGTON — Sales of new homes jumped last month, but it was the second-weakest month on record.

New home sales rose nearly 24 percent in June from a month earlier to a seasonally adjusted annual sales pace of 330,000, the Commerce Department said Monday. May's number was revised downward to a rate of 267,000, the slowest pace on records dating back to 1963. Sales for April and March were also revised downward.

High unemployment, slow job growth, and tight credit have kept people from buying homes. The industry received a boost from the federal tax credits to homebuyers. But since they expired in April, the number of people looking to buy has dropped, despite the lowest mortgage rates in decades.

"There's no question that this is a weak number, but it seems to be more stable," said Stuart Hoffman, chief economist at PNC Financial Services Group.

Sales are down 72 percent from their peak annual rate of 1.39 million in July 2005. More than 600,000 new homes were sold annually from 1983 through 2007. After the housing bubble popped, sales plunged to 375,000 last year. That was the weakest yearly total on records dating back to 1963.

New home sales made up about 7 percent of the housing market last year. That's down from about 15 percent before the bust.

Weak sales mean fewer jobs in construction, which normally power economic recoveries.

New home sales rose by 46 percent in the Northeast, 33 percent in the South and 21 percent in the Midwest. The West posted a nearly 7 percent drop.



STEVE HELBER / The Associated Press

Workers build a new home that has been sold in Richmond, Va.