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Sales of new homes rise 7.9% in August

Eases mortgage rate concerns

By Martin Crutsinger
Associated Press

WASHINGTON — Americans stepped up purchases of new homes in August after cutting back in July, suggesting that higher mortgage rates are not yet slowing the housing recovery.

Sales of new homes increased 7.9 percent last month to a seasonally adjusted annual rate of 421,000, the Commerce Department said Wednesday. That comes after sales plunged 14.1 percent in July to a 390,000 annual rate.

The rebound in sales could ease worries that higher mortgage rates have started to dampen sales. It coincided with the best month of sales for previously occupied homes in more than six years.

And homebuilders remain more confident in the market than they've been in eight years.

Still, some buyers may be racing to close deals before rates rise further.

The average rate on the 30-year fixed mortgage has risen more than a full percentage point since May.

New-homes sales were 12.6 percent higher in August than a year ago, although the pace remains well below the 700,000 consistent with a healthy market.

The number of new homes available for sale rose 3.6 percent from July to 175,000. That's still relatively lean — at the August sales' pace it would take five months to exhaust the supply.

The median price of a new home sold in August fell 0.7 percent from July to $254,600.

Sales rose in all but one region of the country in August, increasing 19.6 percent in the Midwest, 15.3 percent in the South and 8.8 percent in the Northeast. Sales plunged 14.6 percent in the West, the second straight month of double-digit declines.

Though new homes represent only a fraction of the housing market, they have an outsize effect on the economy.

Each home built creates an average of three jobs for a year and generates about $90,000 in tax revenue, according to National Association of Home Builders.