U.S. housing recovery gains momentum

Home sales and prices have increase

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WASHINGTON — A jump in sales of previously occupied homes and further gains in home construction suggest the U.S. housing recovery is gaining momentum.

The pair of reports Wednesday follows other signs of steady progress in the housing market after years of stagnation. New-home sales are up, builder confidence has reached its highest level in more than six years and increases in home prices appear to be sustainable.

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Sales and construction rates are still below healthy levels, economists caution. But the improvement has been steady.

"We have a real housing recovery taking root, and that has positive implications for the broader economy," said Sal Guatieri, senior economist at BMO Capital Markets. "If home prices continue to rise, so, too, will household wealth and consumer confidence."

Sales of previously occupied homes rose 7.8 percent in August

U.S. builders broke ground on 2.3 percent more homes and apartments in August than July. The Commerce Department said the annual rate of construction rose to a seasonally adjusted 750,000. The increase was driven the best rate of single-family home construction since April 2010.

Even with the gains, the market has a long way back to full health. Sales of previously occupied homes remain below the more than 5.5 million that's consistent with a thriving market.

Strict credit standards and bigger down payment requirements have made it harder for many first-time buyers to qualify for mortgages. The number of first-time homebuyers made up just 31 percent of the market in August. In healthier markets, the percentage is more than 40 percent.

For those who can qualify mortgage rates are just above record lows.

The Fed plans to spend $40 billion a month to buy mortgage bonds for as long as it thinks necessary to make home buying more affordable.



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A new home is under construction Tuesday in Palo Alto, Calif. Sales of new homes in the United States rose 3.6 percent in July to match a two-year high reached in May, the latest sign of a steady recovery in the housing market.