

Largest monthly increase in more than eight years, Commerce Dept. says

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WASHINGTON - New U.S. home sales jumped in June by the largest amount in more than eight years as buyers took advantage of bargain prices, low interest rates and a federal tax credit for first-time homeowners.

While home prices are still falling, the figures released Monday were another sign the housing market is finally bouncing back. Data out last week showed home resales rose 3.6 percent in June, the third straight monthly increase.

Shares of big homebuilders soared on the news, with Beazer Homes USA up by more than 13 percent and Hovnanian Enterprises rising 8 percent. But with home prices still falling, these companies won't be making much money anytime soon.

The Commerce Department said new home sales rose 11 percent in June to a seasonally adjusted annual rate of 384,000, from an upwardly revised May rate of 346,000.

Buyers are rushing to take advantage of a federal tax credit that covers 10 percent of the home price or up to \$8,000 for first-time buyers. Home sales need to be completed by the end of November for buyers to take advantage.

"The window of opportunity is closing," said Bernard Markstein, senior economist for the National Association of Home Builders.

June's results were the strongest sales pace since November 2008 and exceeded the forecasts of economists surveyed by Thomson Reuters, who expected a pace of 360,000 units. The last time sales rose so dramatically was in December 2000.

Sales have risen for three straight months. The median sales price of \$206,200, however, was down 12 percent from \$234,300 a year earlier and down nearly 6 percent from \$219,000 in May.

There were 281,000 new homes for sale at the end of June, down more than 4 percent from May. At the current sales pace, that represents 8.8 months of supply — the lowest level since October 2007. If that number falls to just over 6 months, analysts say, builders will feel more comfortable ramping up construction.

Fallout from the housing crisis has played a central role in the U.S. recession, now the longest since World War II. Foreclosures have spiked, homebuilders have slashed construction, and financial companies have lost billions.

But it will still be a while before homebuilders turn into an engine for the economic recovery. Construction levels are still weak because builders still have too many unsold homes sitting vacant.

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