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Sales of New Homes in U.S. Climb by Most Since 1963 (Update3)  
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(Updates with economist's comment in fourth paragraph.)

By Courtney Schlisserman

April 23 (Bloomberg) -- Purchases of new homes in the U.S. surged in March by the most in almost five decades as buyers rushed to qualify for a government tax credit and the weather turned milder.

Sales climbed 27 percent, the most since April 1963, to an annual pace of 411,000 that exceeded the highest forecast of economists surveyed by Bloomberg News, figures from the Commerce Department showed today in Washington. Last month's purchase rate was the highest since July and followed a record-low of 324,000 in February that was higher than previously estimated.

Demand may remain elevated through this month as Americans take advantage of a tax credit worth as much as \$8,000 before it ends at the end of next week. The outlook for the rest of the year hinges on sustained job gains as homebuilders struggle against a wave of foreclosures that is depressing home prices and adding to inventory.

"We'll probably see another jump in April and then we'll get some payback in May and June," said Jim O'Sullivan, global chief economist at MF Global Ltd. in New York. "Through the volatility, the trend in home sales is probably more up than down."

Economists forecast sales would rise to a 325,000 annual rate in March from February's previously reported 308,000 pace, according to the median of 77 projections in a Bloomberg News survey. Estimates ranged from 300,000 to 362,000.

#### Goods Orders

Orders for durable goods excluding transportation equipment surged in March by the most since the recession began in December 2007, another Commerce Department today showed.

The 2.8 percent increase in bookings for goods meant to last at least three years, excluding cars and aircraft, was four times larger than the median forecast of economists surveyed by Bloomberg News. Total orders unexpectedly dropped 1.3 percent, depressed by a 67 percent plunge in demand for commercial aircraft.

Stocks rose after the reports showed the world's largest economy sped up at the end of the first quarter. The Standard & Poor's 500 Index rose less than 0.1 percent to 1,209.41 at 10:55 a.m. in New York. Treasury securities fell, pushing the yield on the benchmark 10-year note up to 3.82 percent from 3.77 percent late yesterday.

Home sales increased in all four U.S. regions last month, led by 44 percent jump in the South.

#### Prices Rise

The median price of a new home in the U.S. increased 4.3 percent in March from a year earlier to \$214,000.

The jump in sales brought the number of new houses on the market down to 228,000, the fewest since March 1971. The supply of homes at the current sales rate dropped to 6.7 months' worth, the lowest level since December 2006, from 8.6 months in February.

A report yesterday from the National Association of Realtors showed sales of existing homes jumped to a 5.35 million rate in March, the first increase in four months. Lawrence Yun, the group's chief economist, said the government's homebuyer tax credit "has done its job," bringing more buyers into the market and stabilizing prices.

The Obama administration extended an incentive for first-time homebuyers in November and expanded it to include some current owners. The deadline for signing contracts is the end of this month, and the transactions must be completed by June 30.

#### Existing Homes

Sales of previously owned homes, which account for about 90 percent of the housing market, are tabulated at contract closings, meaning demand may remain elevated through June.

Purchases of new houses reflect contract signings, indicating the credit's maximum influence will be seen through April.

Reports last week showed builder confidence climbed this month and housing starts in March reached the highest level in more than a year. Building permits, a sign of future construction, rose to the highest point since October 2008.

Foreclosures will remain a headwind for the housing industry after the tax incentive expires. Filings rose 16 percent in the first quarter from a year earlier and bank seizures reached a record, according to Irvine, California-based RealtyTrac Inc.

While hurting household finances by driving down property values, foreclosures are also making the market affordable to more buyers. At the same time, they create increased competition for builders, depressing profits.

"Foreclosures are an overhang that needs to be absorbed and until it's absorbed, it's going to be depressing on starts and new-home sales," Ken Mayland, president of ClearView Economics LLC in Pepper Pike, Ohio, said before the report.

Some builders are seeing an improvement. NVR Inc., based in Reston, Virginia, said April 21 that orders rose 21 percent in the first quarter compared with a year earlier and the cancellation rate was 9 percent, compared with 15 percent in the same period of 2009.

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