

New home sales reach 1-year high, trend is up

WASHINGTON (AP) — Sales of new homes rose in July for the third straight month to their highest level in more than a year, and analysts predicted lower mortgage rates and steady consumer confidence will continue to strengthen the housing market.

The Commerce Department said Tuesday that sales of single-family homes increased 0.4 percent last month to a seasonally adjusted annual rate of 716,000, highest since 722,000 in March 1994. New-home sales in the South were at a 10-year high, more than offsetting weakness elsewhere.

"Buyers and builders are feeling better about things than they did a couple months ago," said David Seiders, chief economist for

the National Association of Home Builders. "It's looking pretty good after some scary months."

While the economy slowed to a standstill this year and recently has shown only mixed signs of improving, the housing market has been a bright spot lately.

Sales in June were 712,000, revised down from an earlier estimate of 728,000 but still 0.1 percent higher than May. Single-family construction had slowed considerably prior to late spring and the turnaround in mortgage rates. Fixed-rate, 30-year mortgages were around 9 percent at the beginning of the year before dropping. They averaged 7.61 percent in July, up slightly from 7.53 percent the previous month.

The decline from their peak

translates into a savings for home owners of more than \$100 a month, in the cost of a \$100,000 loan. Consumer confidence also has been a plus, analysts said.

The Conference Board, a business research group, said Tuesday its monthly gauge of consumer sentiment slipped slightly to 101 in August, but remains at a high level. Expectations for the future rose this month, the board said, citing stable, low unemployment and an absence of inflation.

"We should continue to see decent strength in the housing market," said David Berson of the Federal National Mortgage Association, or Fannie Mae, a major source of home financing. "I think it will remain relatively strong as long as mortgage rates remain un-

der 8 percent."

The stock market turned in a mixed performance with the economic reports having little apparent impact. The Dow Jones industrial average, recovering from a decline earlier in the session, gained 14.44 points to close at 4,608.44. Bond prices were little changed.

The Commerce Department said sales of new homes in the South surged 22.5 percent in July to an annual rate of 359,000, the highest since March 1988. But they fell in other parts of the nation, declining 13 percent in the West, to 281,000; 33.3 percent in the Northeast, to 52,000; and 6.8 percent in the Midwest to 123,000.

Despite the recent improve-

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ment, sales of new homes during the first seven months of 1995 were down 4 percent from the same period a year ago. At the end of July, the seasonally adjusted estimate of new houses for sale was 346,000, a six-month supply at the current sales rate.

The median price of a new

home was \$133,900 in July, unchanged from a month earlier. The median is the midpoint, meaning half of the homes cost more and half cost less. The National Association of Realtors, a trade group, reported last week that sales of existing homes rose 6 percent in July to the highest rate in more than a year.

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