

# New house sales dip slightly

AP — New house sales fell 0.4 percent in August but remained above 750,000 for the second straight month, the government reported, as buyers took advantage of lower interest rates.

Analysts had forecast a steeper slide in August sales from a double-digit gain in July, the largest advance in three years. They said the pace cannot be sustained but will remain healthy for the rest of the year.

The Commerce Department said that new single-family houses were sold at a seasonally adjusted rate of 755,000 in August, a relatively small drop from July's revised 758,000 rate, which was a 16.1-percent increase over June.

**THE COMMERCE** Department report indicated new house sales were stronger throughout the summer than previously thought. Not only was the July figure revised up

ward, so, too, were the May and June figures, both of which totaled 655,000 units.

"It appears that the new home market is steaming along," said economist John A. Tuccillo of the National Association of Realtors. "What is noteworthy about the August numbers is not that they have gone down, but that sales remained at an extremely high level."

The sales improvement was attributed by analysts to fixed-rate mortgages that dropped from an 11.22-percent peak in March to 9.81 percent at the end of August.

**THE LOWER** rates also improved sales of existing houses, which, according to the National Association of Realtors, rose 3.3 percent in August to 3.44 million units.

But mortgage rates had climbed higher than previously thought, according to a survey by the Federal

Home Loan Mortgage Corp., and analysis said the increase will affect sales.

"It will be difficult to maintain this (new house sales) rate, particularly since mortgage rates have increased," said Michael Carliner, an economist at the National Association of Home Builders.

Richard Peach, an economist at the Mortgage Bankers Association, agreed the current pace is not sustainable. A sales range of 600,000-700,000 "still would be a very healthy pace for the new home market," he said.

**MARK GORINSKY**, an economist at the Federal National Mortgage Association, also said the summer sales, which lowered inventories from an eight-month backlog in July to a six-month supply currently, should result in increased single-family housing starts this fall.

Despite the recent boom, sales for

the first eight months were held back 2.7 percent from the same period in 1988 by the higher interest rates earlier in the year as the Federal Reserve tightened credit to slow inflation.

Sales of new houses in the Midwest were down 27.9 percent to 93,000 units after rising 26.7 percent to 129,000 units a month earlier. Sales in the Northeast, which had jumped 50 percent to 108,000 units in July, slipped 0.9 percent in August to a seasonally adjusted annual rate of 107,000 units.

Sales in the South rose 6.2 percent to 310,000 and were up 6.6 percent in the West to 244,000 units.

The Commerce Department report said the median price of a new house was \$122,900 in August, up 6 percent from 116,000 in July. The median is the point where half of the houses sold for more and half for less.

# Houses more affordable as prices fall

(AP) — An index measuring the ability of the typical American family to buy a home rose in August to the highest level in four months, a housing industry group said Monday.

The National Association of Realtors said its index rose to 102.2, meaning that a family with a median income of \$32,892 had 102.2 percent of the income needed to buy a median-priced existing home costing \$94,900.

The association said the increase reflects both falling home prices and mortgage interest rates.

It was the highest level since the

index read 103.2 in April. The median means that half of the families earn more and half less, or that half the homes sell for more and half for less.

The NAR said the median price for existing homes fell from \$96,700, while interest rates dropped from 10.39 percent to 10.11 percent. It also said a \$116 increase in the median income also helped raise the index.

The association uses a composite rate reflecting both fixed-rate and adjustable-rate mortgages.

The changes lowered the monthly

principal and interest payment on a median home by \$29 to \$672, which

represents 24.5 percent of the median family's income.

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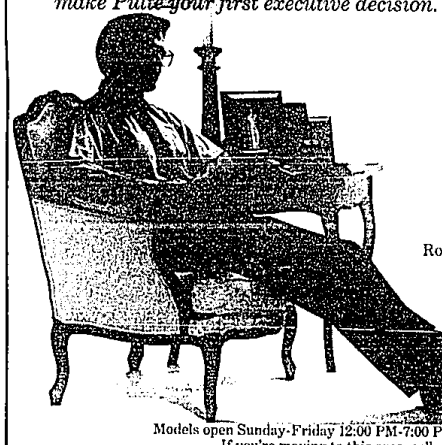
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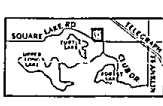



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