

Positive signs from across the board

ECONOMY: Home sales soar; durable-goods orders increase

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WASHINGTON - Sales of new homes soared to an all-time high in June as the red-hot housing market kept sizzling.

The Commerce Department reported that sales of single-family homes jumped to a record annual pace of 1.37 million units in June, up 4 percent from May.

Meanwhile, orders for bigticket manufactured goods posted a surprisingly strong 1.4 percent increase last month.

Analysts said the reports Wednesday showed an economy with plenty of momentum headed into the second half of this year.

Sales of existing homes also set a record in June as the housing industry continues to be powered by low mortgage rates, with the median price of an existing home hitting a record high of \$219,000, up 14.7 percent from June 2004, the biggest annual increase in nearly 25 years.

The report on sales of new homes, however, showed prices declining for a second consecutive month in June, with the median price dropping by 5.5 percent to \$214,800 in June, down 0.4 percent from a year ago. New home prices had set a record at \$232,600 in April.

Housing also remains hot in the Colorado Springs area.

In June, single-family building permits rose 6.2 percent over last June. For the first half of 2005, permits were up 7.2 percent over the same period in 2004, which was a record-setting year.

Meanwhile, single-family home prices in El Paso and Teller counties set a record in June. The median price for a single-family home hit \$212,425 last month, eclipsing the record of \$202,000 set in May, according to the Pikes Peak Association of Realtors.

Michael Carliner, senior economist at the National Association of Home Builders, said the decline in new home prices could be an indication that demand is strengthening in the lower end of the market. Mortgage rates, which had been falling for much of this year, have risen for the past three weeks, although they still stand at a historically low level of 5.73 percent for 30-year mortgages, according to the Freddie Mac survey.

Carliner predicted that sales of new and existing homes will taper off slightly in the second half of this year as mortgage rates rise gradually to around 6 percent by the end of the year. But he discounted the threat of a housing bubble that will suddenly burst.

"I would doubt that we will continue to set new sales records," he said. "But the whole idea that there is a bubble suggests that it can pop and drop all at once. That is not typical of the housing market."

The 1.4 percent increase in durable goods in June followed a 6.4 percent surge in orders in May, which reflected a big increase in sales of commercial aircraft. After soaring by 167 percent in May, orders in this volatile sector fell by 24.2 percent in June.

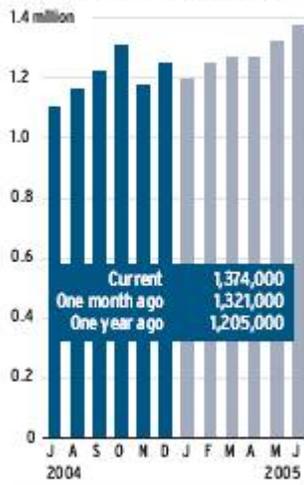
Orders for new cars and auto parts edged down 0.1 percent in June after having risen 0.6 percent in May. Automakers, led by General Motors, have brought back attractive incentive offers to reduce a backlog of unsold cars that had caused production cutbacks in recent months.

Excluding transportation, durable-goods orders were up a solid 2.6 percent in June, nearly triple the 0.9 percent rise in orders outside transportation in May.

The category of non-defense capital goods, a reliable indication of business investment plans, rose 3.8 percent in June, its best performance since January.

Home sales

Sales of new single-family homes at a seasonally adjusted annual rate:



SOURCE: Department of Commerce
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