

New U.S. single-family home sales race to 10-month high



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- * New home sales vault 10.8 percent in December
- * Sales increase 14.5 percent in 2015
- * New homes inventory rises; median house price falls

By Lucia Mutikani

WASHINGTON, Jan 27 (Reuters) - New U.S. single-family home sales surged in December to their highest level in 10 months, the latest indication that the housing sector remains on a firmer footing despite a massive stock market sell-off and slowing economic growth.

The Commerce Department said on Wednesday sales rose 10.8 percent to a seasonally adjusted annual rate of 544,000 units, the highest level since February. Sales last month were likely buoyed by unseasonably mild weather and a rise in the supply of homes on the market, which increased choices for buyers.

"Don't count the economy out yet with the darkening skies seen in January as world stock markets fell on worries over China and crude oil and world growth. Worries don't become reality," said Chris Rupkey, chief economist at MUFG Union Bank in New York.

U.S. financial markets were little moved by the data as investors awaited the outcome of the Federal Reserve's two-day policy meeting later on Wednesday.

The U.S. central bank's policy-setting committee is due to issue its monetary policy statement at 2 p.m. EST (1900 GMT). The Fed raised its benchmark overnight interest rate in December, the first rate hike in nearly a decade.

New home sales soared 14.5 percent to 501,000 units in 2015, the highest level since 2007. Economists had forecast new home sales, which account for about 9.1 percent of the housing market, edging up to a 500,000 unit-rate last month.

Housing is being supported by tightening labor market conditions, which are spurring a rise in household formation. The data came on the heels of a report last Friday showing a record increase in home resales in December from a 19-month low in November.

PROMISING SIGN

A separate report from the Mortgage Bankers Association showed applications for home purchase loans increased 8.8 percent last week from a week earlier. Mortgage rates remain low by historical standards, even after the Fed's interest rate hike.

"This is a promising sign for the housing market as we move into 2016," said Tian Liu, chief economist at Genworth Mortgage Insurance in Raleigh, North Carolina. "We expect the strong increase in new home sales to continue as the fundamentals in the housing market remain strong and newer vintage homes are in short supply."

A firmer housing sector should put a floor under the economy, which has been battered by the headwinds of a strong dollar, spending cuts by energy firms stung by lower oil prices and sluggish global demand. Efforts by businesses to whittle down an inventory bloat have also been a drag on growth.

This month's stock market sell-off, which has seen a more than 7 percent plunge in the Standard & Poor's 500 index, is also adding to the pain. But with housing boosting household wealth, the drag on consumer spending from falling stock market values could be minimal.

The government is expected to report on Friday that fourth-quarter gross domestic product increased at a 0.8 percent annual rate, according to a Reuters survey of economists, slowing sharply from the third quarter's 2 percent rate.

In December, new home sales jumped 20.8 percent in the Northeast and gained 0.4 percent in the populous South. They advanced 31.6 percent in the Midwest and shot up 21.0 percent in the West.

The inventory of new homes on the market rose 2.6 percent to a six-year high of 237,000 units last month. At December's sales pace it would take 5.2 months to clear the supply of houses on the market, down from 5.6 months in November.

The median price of a new home fell 4.3 percent from a year ago to \$288,900.

(Reporting by Lucia Mutikani; Editing by Paul Simao and Chizu Nomiya)