New-home sales plunge dampens outlook

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Sales of new single-family homes dropped sharply last month as the housing recovery continued to struggle for momentum.

New-home sales fell 14.5% to a seasonally adjusted annual rate of 384,000, down from February's revised pace of 449,000, the Census Bureau said.

The unexpectedly weak March figure provided further evidence that the spring selling season got off to a sluggish start.

Some experts say cold and stormy weather last month continued to impede house-hunting as it did in previous months.

A separate report this week showed existing-home sales fell slightly last month.

Still, the impact of the weather was far from clear-cut. Sales fell 16.7% in the West, which did not suffer harsh conditions last month, and rose 12.5% in the Northeast. Sales declined 21.5% in the Midwest and 14.4% in the South.

"The slowing appears to be more than just inclement weather," UBS said in a research note.

Both home prices and borrowing costs have drifted upward in the past year. Rates on 30-year mortgages have risen to 4.27% from 3.4% a year ago. UBS notes that an index of mortgage applications has weakened in recent months.

Meanwhile, the median price of new homes sold last month was $290,000 — 13% higher than in March 2013, the Census Bureau said.

The tepid sales helped push up new-home inventories from a five-month to a six-month supply — which marks the highest level since September 2011 and typically signifies a balanced market.

Overall, however, supplies have been limited. Builders have complained of rising construction costs, labor shortages and fewer available lots as obstacles to adding more inventory, says RBS Senior U.S. Economist Omair Sharif in a research note. With prices rising, builders may be hanging on to unbuilt or partially built properties until prices increase further, UBS says.