

Sales of new homes up in October, but prices fall

By Derek Kravitz, Associated Press

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WASHINGTON – Americans bought slightly more new homes in October, a hopeful sign for the troubled housing market. But the median sales price fell to its lowest level of the year, and the overall sales pace is trailing last year's — the worst in half a century.



Gene J. Puskar, AP

The report suggests housing continues to drag on the [U.S.](#) economy and is a long way from recovering.

New-home sales increased 1.3% last month to a seasonally adjusted annual rate of 307,000, the [Commerce Department](#) said Monday. That's less than half the 700,000 that economists say must be sold to sustain a healthy housing market.

Last year's 323,000 new homes sold were the fewest since the government began keeping records in 1963. This year isn't faring much better.

While new homes sales represent a fraction of the housing market, they have an outside impact on the economy. Each home built creates an average of three jobs for a year and generates about \$90,000 in tax revenue, according to the [National Association of Home Builders](#).

For many Americans, buying a home is too big a risk more than four years after the housing bubble burst.

Home prices have tumbled, the job market remains weak and unemployment has been stuck near 9% for more two years. Some people who want to buy can't qualify for a loan or make the higher down payments that banks are demanding.

Sales are slumping even though mortgage rates are hovering above historic lows.

Builders are struggling to compete with foreclosures and short sales — when lenders accept less for a house than the mortgage on the home — which are at an average discount of 20%. That has made many re-sales a bargain compared with new homes.