

Pending home sales rise 6.7%

Alan Zibel, AP Real Estate Writer

6/2/2009

Pending US home sales rise more than expected in April, biggest monthly jump in nearly 8 years

WASHINGTON (AP) -- The number of U.S. homebuyers who agreed to purchase a previously occupied home in April posted the largest monthly jump in nearly eight years, a sign that sales are finally coming to life after a long and painful slump.

The National Association of Realtors said Tuesday its seasonally adjusted index of sales contracts signed in April surged 6.7 percent to 90.3, far exceeding analysts' forecasts. It was the biggest monthly jump since October 2001, when pending sales rose 9.2 percent.

Economists were encouraged by the report, and stock indexes advanced modestly.

"This is yet another positive indication that the bottoming process is forming," Jennifer Lee, an economist at BMO Capital Markets, wrote in a note to clients. "Now if only prices would stabilize."

Economists surveyed by Thomson Reuters expected the index would edge up to 85 from a reading of 84.6 in March. Typically there is a one- to two-month lag between a contract and a done deal, so the index is a barometer for future existing home sales.

In early trading, the Dow Jones industrial average added about 20 points to 8,741, and at times traded above 8,776.39, its finish for 2008.

Still, some economists wonder whether rising mortgage rates will dampen home sales. Nationwide average rates for 30-year-fixed rate mortgages are around 5.3 percent this week compared with about 5 percent a week earlier, according to Bankrate.com.

And analysts cautioned prices will take longer to stabilize, because of the glut of unsold properties on the market.

"Even if sales volumes rebound, home prices will keep falling under the weight of the massive inventory overhang," wrote Ian Shepherdson, chief U.S. economist at High Frequency Economics.

The Realtors' index was 3.2 percent above last year's levels and has risen for three straight months after hitting a record low in January. A nearly 33 percent sales increase in the Northeast and a 9.8 percent jump in the Midwest led the overall surge. Sales contracts rose 1.8 percent in April from a month earlier in the West, but fell 0.2 percent in the South.

The big boost likely reflects the impact of a new \$8,000 tax credit for first-time homebuyers that was included in the economic stimulus bill signed by President Barack Obama in February.

Since buyers need to finish their purchases by Nov. 30 to claim the credit, "we expect greater activity in the months ahead," Lawrence Yun, the Realtors' chief economist, said in a statement.

Still, Yun cautioned that the pending sales data is more volatile than in the past because many sellers need banks to agree to take less than the original mortgage -- a so-called "short sale." That process is often difficult, time-consuming and can wind up falling apart before the deal closes.

The Federal Housing Administration last week released details of a plan in which borrowers who use FHA loans can get advances from lenders that let them effectively receive the credit in advance, so they don't have to wait to get the money from the Internal Revenue Service.

Completed home sales rose 2.9 percent to an annual rate of 4.68 million in April from a downwardly revised pace of 4.55 million in March, the Realtors' group said last week.

Sales of inexpensive foreclosures and other distressed low-end properties have even sparked bidding wars in places like Las Vegas, Phoenix and Miami. But the market for high-end properties remains at a virtual standstill.

The national median sales price in April plunged more than 15

percent to \$170,200, from \$201,300 in the same month last year. That was the second largest yearly price drop on record, according to the Realtors' group.