

NATIONAL ASSOCIATION OF REALTORS

Index of pending home sales has biggest jump in eight years

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WASHINGTON — The number of U.S. homebuyers who agreed to buy a previously occupied home took the largest monthly jump in nearly eight years in April, but danger signs remain for the U.S. housing market.

Home sales seem poised to head upward this summer, but prices are expected to keep falling well into next year. Layoffs, which are causing foreclosures to soar, coupled with rising mortgage rates could dampen a recovery in real estate.

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

The big boost appeared to reflect 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. Because buyers need to complete their purchases by Nov. 30 to claim the credit, "we expect greater activity in the months ahead," Lawrence Yun, the association's chief economist, said in a statement.

Typically there is a one- to two-month lag between a contract and a done deal, so the index is a barometer of future existing home sales.

In Central Texas, the 1,919 sales pending to close in May were up 3 percent from April, to the highest number since July, according to the Austin Board of Realtors.

Although economists are encouraged by signs that demand for housing is returning, the outlook is far from sunny. Mortgage rates are rising, making homes less affordable for many borrowers. The average rate for a 30-year, fixed-rate mortgage is about 5.3 percent this week compared with about 5 percent last week, according to Bankrate.com.

Stock indexes advanced modestly in morning trading, but then traded in a tight range around the break-even point.

Financial stocks fell after several banks announced plans to raise capital to help repay federal bailout funds.

The health of the U.S. housing market, mired in a three-year slump, is one of the key issues facing the economy.

Although sales might be recovering, analysts say prices will take longer to stabilize because of the glut of properties for sale. Prices are unlikely to rise until foreclosures start to decline, and that's unlikely to happen before the end of next year, analysts said.

Driven by sales of inexpensive foreclosures and other distressed low-end properties, the national median sales price in April dropped more than 15 percent from year-ago levels to \$170,200. That was the second-largest yearly price drop on record, according to the Realtors group.

Still to be determined is the impact of Obama's \$50 billion plan to prevent foreclosures by modifying loans in bulk. Analysts are growing concerned that the plan will not have a substantial effect.

"I haven't seen evidence yet of any significant modifications," said Mark Zandi, chief economist at Moody's Economy.com. "I was hoping that we would see more of a pickup."

The Realtors' index of pending sales contracts 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 were flat or up slightly in the South and West.

However, Yun said that pending sales data is more volatile than in the past.

Many homeowners need to sell their properties for less than the balance they owe on their mortgages — a so-called short sale — which requires the lenders' approval. That process is often difficult, time-consuming and can fall apart before the deal closes.

Courtesy of JB Goodwin