

Home sales rebound to highest level in 2 years

Sales of existing homes bounce back to their highest level since July 2007, boosted by first-time homebuyers. Prices continue to fall.

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Last Updated: October 23, 2009

NEW YORK (CNNMoney.com) -- Sales of existing homes rebounded sharply in September to their highest level in two years, getting a strong boost from first-time homebuyers, according to a report released Friday.

Sales of previously-owned homes jumped 9.4% in September after falling for the first time in four months in August, said the National Association of Realtors. Year over year, sales of existing homes were up 9.2% in September.

"Much of the momentum is from people responding to the first-time buyer tax credit, which is freeing many sellers to make a trade and buy another home," said Lawrence Yun, NAR chief economist.

Early information from a NAR report to be released next month suggests first-time homebuyers accounted for more than 45% of home sales in the past year.

September home sales hit an annualized rate of 5.57 million properties, up from 5.10 million units in August. A consensus estimate compiled by Briefing.com had forecast sales of 5.35 million units.

Prices still falling. Yun said the market is still underperforming as home values continue to decline.

The median price of homes sold in September was \$174,900, falling 8.5% from a year earlier. The drop in prices has been led by an influx of distressed properties, which accounted for 29% of sales in September and include foreclosures and short sales.

"We're getting early indication of price stabilization but we need a steady supply of qualified buyers to meaningfully bring inventories down and return us to a period of normal, steady price growth and to fully remove consumer fears, which would then revive the broader economy," Yun said.

With more than 75 million home-owning families having more wealth tied to their homes than the rising stock market, Yun said economic growth without a recovery in their homes' value "will be one of the weakest in U.S. history."

The \$8,000 tax credit that has helped first-time home buyers take advantage of the most affordable conditions since 1970, but the looming expiration date of the incentive could hold buyers back from entering the market, said NAR president and real estate broker Charles McMillan.

"Our read is that housing overshot on the downside because homes are selling for less than replacement construction costs in much of the country, and the home price-to-income ratio has fallen below the historical average," McMillan said.

In order for prices to return to normal, Yun says that total housing inventory would need to drop at the 7.5% pace seen in September, which represents a 7.8-month supply, the lowest in almost three years.

To help boost home prices and sales, lawmakers are considering [extending](#) the tax credit and expanding it to all but the wealthiest homebuyers.

While keeping the credit would help lift housing prices, senior economist at PNC Robert Dye says it would only be a temporary effect until the program stopped, as was seen with Cash for Clunkers.

"First-time homebuyers don't represent the bulk of the market and there is strength well beyond them," said Dye. "If economic indicators such as consumer confidence show improving trends, then experienced homebuyers will stay in the market and take advantage of [the low] prices" even without the credit.

Where the homes are selling. Regionally, the strongest market was the West, where sales climbed 13% to an annualized rate of 1.3 million. That was 5.7% higher than last year's rate. The median price of homes sold during the month was \$219,000, down 15% from last year.

In the Midwest, sales were up by 9.6% to a pace of 1.25 million, which was 7.8% higher year-over year. Prices there have dipped 1% since 2008 to a median of \$147,600.

Sales in the South were up 9% from August and 10.8% from last September to a rate of 2.6 million. Prices have dropped 7.6% to \$153,500 in the past 12 months.

The Northeast reported a modest rise, with existing sales up 4.4% from August to a rate of 950,000. That was 11.8% from a year ago. The median price there was \$234,700, down 7.6% from last year.

Courtesy of JB Goodwin