

Pending home sales jump 6.3% in April

Index of homes under contract rises to the highest level since October, but is 13% lower than last year, Realtor group says.

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NEW YORK (CNNMoney.com) -- The number of homes under contract to be sold rose unexpectedly in April as buyers go bargain hunting, according to a report released Monday.

Pending Home Sales Index from the National Association of Realtors (NAR) rose to 88.2 in April, up 6.3% from March's reading of 83 and the highest level since October. The increase defied the consensus estimate of economists polled by Briefing.com, who had expected pending sales to fall by 1%.

Despite the increase, April's reading remains down 13.1% from the same period last year, and down 29% from the index's peak in April 2005.

The Pending Home Sales index debuted in 2001, and a reading of 100 is equal to results that first year.

"Bargain hunters have entered the market en masse, especially in areas that have experienced double-digit price declines, but it's unclear if they are investors or owner-occupants," said Lawrence Yun, chief economist for the NAR in a statement.

The Pending Home Sales Index was strongest in the Midwest, where it jumped 13%, and weakest in the Northeast, where it declined 1.9%

The positive report indicates that the decline in home sales may be starting to slow. "Existing home sales have started to form what looks like a bottom," said Adam York, an economist with Wachovia Corp.

However, one bullish report hardly signals the resurgence of the battered housing market. "You have to see a stability in prices and inventory before you say the market has turned a corner," cautioned Asha Bangalore, economist with Northern Trust Co.

The trade group's Pending Home Sales Index is considered a more forward-looking indicator of home sales than the NAR's closely watched existing home sales report. Unlike existing home sales estimates, pending home sales are usually counted a month or two before a closing sales contract is signed.