

# U.S. existing home sales rise, fueling recovery hopes

*By Alister Bull July 22, 2009*

**WASHINGTON (Reuters) – U.S. existing home sales notched their third monthly rise in June and prices hit the highest level since October, fueling hopes that the housing sector is finally on the mend and will help propel a broader economic recovery.**

Other data on Thursday showed a jump in new claims for jobless aid last week, but claims by those already receiving benefits declined. The Labor Department said the numbers were distorted by a seasonally unusual pattern of layoffs in the auto sector that should fade in the next week or so.

Some analysts, however, read the jobs report as evidence that employment conditions are stabilizing and said this chimed with other signs that the economy has stopped shrinking.

U.S. stocks surged more than 2 percent on the home sales data. The Dow Jones industrial average closed above the 9,000 mark for the first time since January as investors took heart that a turn in the housing market -- seen as a linchpin of the economy -- would end a severe U.S. recession and help deliver growth over the rest of the year. The Nasdaq registered its 12th straight day of gains, its longest winning streak since 1992.

The National Association of Realtors (NAR) said sales of existing homes in June rose 3.6 percent to an annual rate of 4.89 million units, compared with a downwardly revised 4.72 million pace in May.

The June reading was the fastest sales pace since October, and topped forecasts for a 4.84 million unit annual pace.

"This is a very good report, as it suggests that the recent momentum in U.S. housing activity may be gathering some traction as U.S. homebuyers take advantage of the very favorable mortgage rates and home prices," said Millan Mulraine, economics strategist at TD Securities in Toronto.

The NAR said it was the first time the industry had experienced three straight months of gains in existing home sales since early 2004.

"Overall, the news is positive. We have increasing home sales for the third straight month, declining inventory and although prices fell, they declined at a less steep pace," NAR chief economist Lawrence Yun told a press conference. "The housing market is healing after four years of recession."

## INVENTORIES DOWN

The inventory of existing homes for sale declined 0.7 percent to 3.82 million in June. The median national home price came in at \$181,800, down 15.4 percent from the same period a year ago. But the median price was up 4.0 percent compared with May and was at the highest level since October.

"The months supply of home for resale is coming down and home prices are falling at a slower pace overall, providing more evidence that the housing market is stabilizing," said Torsten Slok, a senior economist at Deutsche Bank in New York.

**NAR's Yun said that the inventory of previously owned homes for sale represented 9.4 months' supply at the current pace of sales, down from 9.8 months' in May.**

This was still above the historic average of six months' supply, which Yun said was consistent with a national price appreciation of around 4.0 percent.

Seven to eight months' supply would be consistent with no change in median prices, so the fundamentals still point to lower house prices over the rest of the year, he said.

Freddie Mac, the second biggest U.S. home financing provider, separately said that average 30-year fixed U.S. mortgage rates rose by 0.06 of a percentage point in the past week to 5.20 percent, increasing for the first time in three weeks, but remained sharply lower than a year ago.

## JOBS CLAIMS

On the jobs front, the U.S. Labor Department said that seasonally adjusted initial claims for jobless aid rose 30,000 to 554,000 in the week ended July 18, which was roughly in line with analysts' forecasts.

A department official noted that the data in July was distorted by an unusual pattern of seasonal layoffs, which he expected would fade in the next week or so. Analysts, nonetheless, saw the numbers as positive.

"After 22 consecutive weeks where new applications for unemployment benefits held above 600,000, we have now seen three straight weeks below that threshold, wrote Bernard Baumohl, chief global economist at The Economic Outlook Group in Princeton, New Jersey.

"Evidence continues to mount the economy has finally turned the corner and that the weekly claims data is just one more pointing to a recovery under way," he said.

Continued claims of people still on jobless aid after an initial week of benefits fell by 88,000 to 6.225 million in the week ended July 11, the latest for which data is available. Analysts expected continued claims of 6.32 million.

The Labor official said there were more layoffs than anticipated based on past experience in adjusted claims in the automotive sector and elsewhere in manufacturing, following two weeks when there had been fewer layoffs.

"Right now it is difficult to say until we are out of this four-week period in July where things really are, but my gut feeling is things are improving but not at a rapid pace," said Rudy Narvas, a senior analyst at 4cast Ltd in New York.

**Courtesy of JB Goodwin**