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Existing-Home Sales Rise 7.4%

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WASHINGTON -- Sales of previously owned homes rose in November more than expected as low prices and tax relief helped buyers surmount worries about the job market.

Separately, the government said U.S. economic recovery wasn't as strong as earlier thought, and revised its third-quarter numbers down for the second time to show lower construction and inventory investments.

Home resales rose by 7.4% to a 6.54 million annual rate from 6.09 million in October, the National Association of Realtors said Tuesday.

Inventories kept shrinking. Prices fell -- but the decline was the smallest in two years.

Economists surveyed by Dow Jones Newswires expected a 3.3% increase in sales during November, to a rate of 6.30 million.

While credit conditions remain difficult and joblessness in the U.S. sits at 10%, historically low prices and borrowing costs are supporting purchases. The economy is recovering from recession, and first-time buyers can get an \$8,000 tax incentive.

"This clearly is a rush of first-time buyers not wanting to miss out on the tax credit," NAR economist Lawrence Yun said.

Going forward, the realtors expect a temporary sales drop, with a sales surge in the spring.

The report Tuesday was another positive for the housing market, recovering from a big bust. Year over year, resales were 44.1% higher last month than the level in November 2008. October existing-home sales rose a revised 9.9%; originally, NAR said sales surged 10.1%.

The average 30-year mortgage rate was 4.88% in November, down from 4.95% in October, Freddie Mac data showed. The NAR reported the median price for an existing home last month was \$172,600, down 4.3% from \$180,300 in November 2008. The decline was the smallest since a 4.1% drop in November 2007.

Inventories of previously owned homes decreased by 1.3% at the end of November to 3.52 million available for sale. That represented a 6.5-month supply at the current sales pace, compared to 7.0 in October; the 6.5 was the lowest in nearly three years.

Regionally, sales in November compared to October rose 6.6% in the Northeast, 8.4% in the Midwest, 4.8% in the South, and 10.6% in the West.

Of the 6.54 million in overall U.S. resales, 33% were distressed, which includes foreclosures. That compares to a range of 45% to 50% in months during late 2008 and early 2009.

Courtesy of JB Goodwin