

U.S. home sales up in April, inventories swell

By Lucia Mutikani

WASHINGTON (Reuters) – Sales of previously owned U.S. homes rose in April, a report showed on Wednesday, providing new evidence the housing market is stabilizing and backing views that the recession is nearing an end.

The National Association of Realtors said sales climbed 2.9 percent to an annual rate of 4.68 million as the traditional spring home-buying season swung into gear.

The positive picture, however, was dimmed by a separate report showing applications for home loans fell to their lowest level since early March last week as mortgage costs rose.

Worries about the government's ability to fund costly measures to rescue the economy drove longer-dated government bond yields higher on Wednesday, with the spread between the 2-year and 10-year Treasury notes widening to a record 2.75 percentage points.

The rise in bond yields threatens to push up borrowing costs for consumers and businesses, and U.S. stocks sold off on concerns the economy could suffer. Major indexes ended more than 1 percent lower.

Economists, however, were heartened by the home sales data and said borrowing costs had not moved up enough to imperil the housing market's chances of recovery.

"I don't think it's a threat as long as mortgage rates stay low and so far they have," said Patrick Newport, an economist at IHS Global Insight in Lexington, Massachusetts.

In general, the data was seen as a fresh hint that the steep 17-month U.S. economic downturn, triggered by the collapse of the housing market, was easing and could well end by the third quarter, as a survey published by the National Association of Business Economists predicted.

The pace of job losses slowed last month, claims for unemployment aid have come off their peaks, and consumer confidence has risen from recent rock-bottom levels.

"The national economy is showing some initial signs of stability," U.S. Treasury Secretary Timothy Geithner said in Boston as he announced \$1.5 billion in federal tax credits for community development projects. "This is just the beginning, however. We have a long way to go."

SALES ACTIVITY PICKING UP

The Realtors report showed sales of single-family homes rose 2.5 percent last month to an annual rate of 4.18 million, while multi-family units -- the hardest-hit sector -- jumped 6.4 percent to a 500,000-unit annual pace.

Sales were up in three of four regions. However, the number of unsold homes swelled 8.8 percent to 3.97 million, the highest since November. At the current sales pace, it would take 10.2 months to clear that supply.

Both the trade group and economists shrugged off the rise in home inventories as mainly the result of seasonal factors.

"The increase in inventories was largely driven by seasonal factors and reflects sellers entering the spring market," said Anna Piretti, an economist at BNP Paribas in New York. She noted that inventories had come down from the highs recorded in 2007 and 2008.

Even when the economy begins to grow, analysts expect only a tepid recovery. Plunging home values and rising unemployment have forced consumers to cut spending, and households are expected to continue to rebuild savings for months to come.

The median home price fell 15.4 percent from a year ago to \$170,200 in April, the second biggest percentage decline on record. The Realtors group blamed distressed sales, which accounted for 45 percent of all transactions, for depressing prices.

A separate home price measure from the Federal Housing Finance Agency showed prices fell 7.3 percent over the 12 months through March, contrasting with an 18.7 percent drop seen in the Standard & Poor's/Case-Shiller survey Tuesday.

"Our latest data are consistent with growing evidence that housing market conditions may be stabilizing in some parts of the country, especially areas not covered by the other major repeat sales price index," FHFA Director James Lockhart said.

Courtesy of JB Goodwin