

Homes sales rebound in August from record drop

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By [Stephanie Armour](#), USA TODAY

Sales of existing homes improved slightly in August after a record drop in July, possibly the first step on a long road back to health.

Although sales remain very weak, especially considering mortgage rates are near historic lows, some economists say August's increase may point to slow improvement over the next two years.

"This report is only good in the context of the incredibly bad report last month," say Mark Zandi, chief economist of Moody's Analytics. **"But last month will be the low point in the cycle. When we look back years from now, it will be the bottom. The worst is over."**

Thursday's report from the National Association of Realtors (NAR) showed:

- **Existing home sales climbed 7.6% to a seasonally** adjusted annual rate of 4.13 million units in August. That was still the second-worst month in 15 years — behind July — and 19% below the August 2009 sales rate.

- Distressed homes, including foreclosures, rose to 34% of sales in August from 32% in July.

- Prices rose slightly compared with a year ago. The national median price of \$178,600 was up 0.8% from a year earlier.

Patrick Newport, an economist at IHS [Global Insight](#), says he doesn't expect sales to worsen — "just a long climb out of a deep hole."

The labor market is the key to recovery, Newport says.

As the economy adds jobs, demand for homes will improve, people will move to be near their new jobs, the supply of homes for sale will fall and more new homes will be built.

That won't happen quickly. Existing home sales are unlikely to beat 6 million a year — a normal rate — until 2013, he predicts.

Sales were inflated by buyer tax credits last year and earlier this year, and they fell off sharply when the credits went away in April.

First-time buyers have pulled back since then — they bought 31% of existing homes last month compared with 38% in July, NAR reported.

Joel Naroff, of Naroff Economic Advisors, says it may take two or three months to find out what level of sales can be sustained without tax credits and a couple of years before sales return to a decent level.

"Housing is not going to lead the way out of the slow-growth economy as it has in previous recoveries," he says. "Credit standards, equity losses and uncertain households should hold back demand for a while."

Courtesy of JB Goodwin