October home sales rise 10.1 pct from September

By ALAN ZIBEL, AP Real Estate Writer November 23, 2009

WASHINGTON – Home sales far exceeded expectations last month, surging to the highest level in 2 1/2 years as first-time buyers rushed to take advantage of an expiring tax credit.

The National Association of Realtors said Monday that home resales rose 10.1 percent to a seasonally adjusted annual rate of 6.1 million in October, from a downwardly revised pace of 5.54 million in September.

The tax credit of up to $8,000 for first-time owners was originally set to run out on Nov. 30, but Congress renewed it earlier this month and broadened its reach. People who have owned their current homes for at least five years can now claim a tax credit of up to $6,500 for a home purchase. To qualify, buyers must sign a purchase agreement by April 30.

The Realtors report on October home sales reflect offers made before buyers knew the tax credit would be extended. "There was a lot of rush and hurry to complete sales" before the deadline, said Lawrence Yun, the trade group's chief economist.

But sales are likely to drop over the winter as buyers hibernate for a few months without the looming tax credit deadline.

The new deadline means that "we're going to see some good activity coming out of the spring," said Pat Lashinsky, chief executive of online real estate brokerage ZipRealty Inc.

Sales, which were nearly 24 percent above last year's level, had been expected to rise to an annual pace of 5.65 million, according to economists surveyed by Thomson Reuters.

The median sales price was $173,100, down 7.1 percent from a year earlier and off 1.6 percent from September.

In addition to lower prices, mortgage rates have been hovering around 5 percent since the spring, largely because of government intervention. That has helped restore housing affordability in large swaths of the country.

The inventory of unsold homes on the market fell about 4 percent to 3.6 million. That's a 7 month supply at the current sales pace, and close to a healthy stock of about six months.

Nationwide sales are up nearly 37 percent from their bottom in January, but are still off about 16 percent from the peak in autumn 2005.

Over the summer, the housing market started to rebound from the worst downturn in decades, aided by aggressive federal intervention to lower mortgage rates and bring more buyers into the market.

But experts forecast that prices will fall again. Most say they will hit a new low next spring, perhaps falling another 5 to 10 percent, as more foreclosures get pushed onto the market.

A record-high 14 percent of homeowners with a mortgage were either behind on payments or in foreclosure at the end of September, the Mortgage Bankers Association said last week. **The worst damage is still concentrated in the states hardest hit from the start: Florida, Nevada, California and Arizona. Together, they accounted for 43 percent of new foreclosures.**

Courtesy of JB Goodwin