

# Pending home sales post increase of 6.3 percent

**Report indicates that January numbers on sales of existing homes could look good too.**

By Alan Zibel  
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**WASHINGTON — An index that tracks signed contracts to purchase existing homes rebounded in December, as buyers snapped up properties at deep discounts, especially in the South and Midwest.**

**It was the second positive sign in the past two weeks for the troubled U.S. housing market, and may indicate that a bottom is forming — at least for home sales.** Analysts, however, say prices are likely to keep falling through 2009 and say that the outlook for home sales is uncertain, especially as layoffs mount and banks' lending standards remain tight.

"Buyers are dipping their toes back into the housing market, but they have yet to really take the plunge," wrote Joel Naroff, chief economist with Naroff Economic Advisors.

The National Association of Realtors said Tuesday that its seasonally adjusted index of pending sales of previously owned homes for December rose 6.3 percent to 87.7 from an upwardly revised November reading of 82.5, which was lowest month on record. That's better than the 82.3 reading economists expected, according to a survey by Thomson Reuters.

The reading also was up 2.1 percent from December 2007.

Typically, there is a one- to two-month lag between a contract and a done deal. Home sales that were pending in December are likely to be completed in the coming weeks.

After the stock market collapsed last fall, sales of existing homes plunged in October and November but recovered somewhat in December. Tuesday's pending home sales report indicates that January sales data, to be released later this month, might look good too.

Although lower prices and lower mortgage rates appear to be boosting demand, the timing of a housing market turnaround is likely to depend on how far the overall economy sinks.

**"Eventually, the positives will outweigh the negatives," said Pierre Ellis, senior economist with Decision Economics in New York. "Hopefully, that will be reasonably soon and we'll have the beginnings of a recovery."**

Even when that happens, most economists expect home prices will increase slowly.

In the Realtors' report, pending home sales increased about 13 percent in the South and Midwest but fell almost 4 percent in the West and about 2 percent in the Northeast.

The Realtors group, normally known for its optimistic view of the housing market, is now cautioning against getting too enthusiastic about any recovery — as it lobbies for new government tax credits to boost home sales.

"Significant uncertainty still clouds the housing market despite improved affordability conditions," said the group's chief economist, Lawrence Yun, in a statement. "For a sustainable housing market recovery and, hence, sustainable economic recovery, we need a significant housing stimulus."

Of course, the U.S. housing market is still coping with the worst downturn in decades, and much of the country remains weak.

Sales of newly built homes plunged to the slowest pace on record in December and builders posted their worst annual sales results in more than two decades, the government said last week.

On Tuesday, D.R. Horton, the nation's biggest homebuilder, said it lost almost \$63 million in its most recent quarter as sales slumped by half.

Concern about the health of the housing market, which triggered the recession, is driving a plan by Senate Republicans to push down the cost of mortgages. The plan could be included in the economic stimulus bill at the top of President Barack Obama's agenda.

Republicans have been gathering in support of a proposal designed to give banks an incentive to make loans at rates estimated at 4 to 4.5 percent. Mortgage finance companies Fannie Mae and Freddie Mac, which were seized by the federal government in September, would be required to purchase the mortgages once banks have made them to consumers.

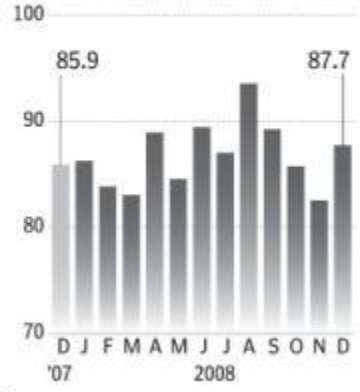
Officials said loans to creditworthy borrowers on primary residences with a mortgage of up to \$625,000 would qualify, including those seeking to refinance their loans. GOP

officials also intend to press for a \$15,000 tax credit for homebuyers through the end of the year.

## Home sales rise

Pending home sales rose more than 6 percent in December.

**Pending U.S. home sales index**  
Seasonally adjusted annual rate



Source: National Association of Realtors  
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Courtesy of JB Goodwin