

# Home sales up 9.4% in September

## Economists expect prices to resume descent.

By Alan Zibel and Alex Veiga  
ASSOCIATED PRESS  
Saturday, October 24, 2009

**WASHINGTON — Racing to complete their purchases before a tax credit for first-time owners expires, homebuyers pushed sales up last month by the largest amount in more than 26 years.**

**After jumping 9.4 percent in September, home resales are up nearly 24 percent from the bottom in January, the National Association of Realtors said Friday. But the market's momentum could be affected if Congress declines to extend the credit of up to \$8,000 for first-time buyers beyond the Nov. 30 deadline.**

Nationwide sales rose to a seasonally adjusted annual rate of 5.6 million last month, up from a downwardly revised pace of 5.1 million in August. It was the strongest month in two years and beat economists' forecast of 5.4 million, according to Thomson Reuters business news service. Sales, however, are still down 23 percent from their peak in 2005.

**In another positive sign, the inventory of unsold homes on the market fell almost 8 percent to 3.6 million. That's less than an eight-month supply at the current sales pace and the lowest level since March 2007.**

"The excess supply of unsold homes has declined a lot, and this reduces the downward pressure on home prices," said Harm Bandholz, an economist at UniCredit Global Research in New York. "An improvement in house prices is an important condition for an increase in housing wealth and therefore higher willingness of households to start spending again."

Although home sales and housing construction have risen steadily after bottoming out this year, most economists say that prices, which recently stabilized, will resume their descent. The median sales price last month was \$174,900, down almost 9 percent from \$191,200 a year earlier and slightly lower than August's median of \$177,300.

The main reasons prices are weak: Unemployment and foreclosures are still rising. With the current 9.8 percent jobless rate expected to rise as high as 10.5 percent next year, foreclosures will continue to set records.

Nationwide, more than 3 million households are either three months behind on their payments or in foreclosure, according to research firm First American CoreLogic. Many delinquent borrowers are still being evaluated for help under the Obama administration's mortgage assistance plan.

To entice more buyers, Sens. Johnny Isakson, R-Ga., and Christopher Dodd, D-Conn., want to extend the tax credit through June 30 and to expand it to include all home buyers, at an estimated cost of \$16.7 billion.

Realtors and homebuilders are in favor and say that the tax credit is crucial to get the housing market back on its feet.

However, some analysts say the tax credit may not be as crucial to the housing market as real estate agents suggest. The Realtors association has "an incentive to talk up the effects of the credit as it is urging Congress to extend it, and it therefore may be exaggerating the credit's effects," wrote Nomura Securities economist Zach Pandl.

One potential roadblock to an extension also emerged this week: concerns that some of the 1.5 million applications for the tax credit are fraudulent.

The Treasury Department's inspector general for taxes questioned the legitimacy of some 100,000 claims for the credit, potentially including some illegal immigrants and 580 people under 18.

**Courtesy of JB Goodwin**