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Home Resales Climb

By [ALAN ZIBEL](#) And [JEFF BATER](#)

Sales of previously occupied homes in the U.S. climbed to the highest level in 11 months in December, as the housing market gradually starts to turn around.

Existing-home sales increased 5.0% from a month earlier to a seasonally adjusted annual rate of 4.61 million, the National Association of Realtors said Friday. It was the third consecutive monthly increase and was 3.6% above the same month a year earlier. November's sales pace, however, was revised down to a rate of 4.39 million per year.

Analysts said the report shows the housing market is beginning to recover. "There's no denying that home sales are still very low and will remain low for a few years," wrote Paul Dales, senior U.S. economist at Capital Economics. "But after having risen in each of the last three months...it is clear that a housing recovery is now well underway."

One positive sign: The inventory of previously owned homes listed for sale sank to 2.38 million at the end of December, the lowest level since March 2005. **At the current sales pace that represents a 6.2-month supply, a level economists consider healthy.**

"Progress is being made in reducing the huge glut of unsold homes on the market," wrote Millan Mulraine, an economist with TD Securities. "It is one important step in bringing more balance to this beleaguered sector, and will go some way in relieving some of the downward pressure being exerted on prices."

The monthly results fell slightly short of some forecasts. Economists surveyed by Dow Jones Newswires had expected home sales to rise by 5.2% to an annual rate of 4.65 million.

For all of last year, 4.26 million homes were sold, up 1.7% from 4.19 million in 2010. Last year's figures were just above 2008's level of 4.11 million, the worst year of the housing bust.

Before the housing boom of the mid-2000s, sales were running around 5 million per year. They soared to more than 7 million in 2005.

The housing market remains one of the weakest parts of the U.S. economy, and analysts have been debating whether it is finally recovering after a collapse in prices that started 5 1/2 years ago.

A trade group report this week said home builders' confidence this month rose to its highest level in more than four years, with traffic from prospective buyers rising.

Mortgage rates have been hovering around the lowest recorded levels and employers have picked up hiring, giving some home buyers more confidence.

However, prices in many markets have continued to fall amid a steady stream of foreclosures. A large backlog of potential foreclosures that haven't yet been taken back could still push down prices.

The median sales price in December was \$164,500, down 2.5% from a year earlier. For all of 2011, the median was \$166,100, the lowest since 2002.

The Realtors' report said home sales rose last month compared with a month earlier in all four U.S. regions. Sales were up 10.7% in the Northeast and 8.3% in the Midwest. They were up 2.9% in the South and 2.6% in the West.

Courtesy of JB Goodwin