



## Pending Home Sales Rise

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NEW YORK - Pending home sales unexpectedly rose in April to the highest reading since October, an industry group said Monday, but experts say the large proportion of distressed property sales will continue to weigh down prices.

The National Association of Realtors' seasonally adjusted index of pending sales for existing homes rose to 88.2 from a March reading of 83.0, the lowest since the index was started in 2001. However, it's still 13 percent below April 2007's reading of 101.5.

The figures may be a sign that the glut of 5 million unsold properties may be on the way down, which economists say is a prerequisite for stabilization in the industry. Federal Reserve Chairman Ben Bernanke warned last week the economy will remain in danger of weakening further until housing reaches a bottom

"We are seeing sales picking up notably where prices are coming down," said Lawrence Yun, chief economist of the realtors' group. "The first necessary thing is for sales to rise" and Monday's data is a step in the right direction, he said.

Others aren't so sure.

While Moody's Economy .com Chief Economist Mark Zandi thinks April marks the bottom for home sales, prices won't bottom out for another year in contrast to NAR's outlook, he said.

"It's the beginning of the end of the housing downturn, but it will be a long painful ending," he said.

Wall Street economists polled by Thomson/IFR had predicted the index would remain steady at 83. A reading of 100 is equal to the average level of sales activity in 2001.

### Banks Dumping Houses

"It's good news, but I'm not jumping for joy because I'm not convinced that it's telling us things are picking up," said Global Insight economist Patrick Newport. "It's telling me that banks are dumping properties at fire-sale prices, spurring home sales."

Newport said inventory remains at record highs and is growing, especially in the West where

foreclosures and so-called short sales make up the bulk of deals. A short sale is where the house is sold for less than the amount owed on the mortgage.

Pending sales there climbed 8.3 percent from March and are 4 percent higher than a year ago.

Karin Wilson, a Las Vegas real estate agent with Nevada Real Estate Services Inc., said about 2,000 properties hit the courthouse steps every month, but buyer interest is finally meeting the supply.

Right now, she's working with 11 buyers, whereas six months ago, she had only one.

"We're having multiple offers on anything under \$250,000. It's kind of crazy. We've seen in excess of 70 offers on a property and it's commonplace to see 10-plus," she said.

Likewise, bank-owned properties and short sales in San Diego are pulling first-time home buyers from the sidelines, said Gregg Neuman, a Prudential real estate agent. Once closed out of the market, buyers now stand to receive a 20 percent discount on distressed homes, he said.

"Bargain hunters have entered the market en masse," said the NAR's Yun.

In the Midwest, the index jumped 13 percent, while the South index posted a 4.6 percent gain. Only the Northeast index registered a decline of 1.9 percent.

The NAR expects existing home sales to total 5.40 million this year and then increase to 5.74 million in 2009.

The median price is expected to drop 8.4 percent in the first half of the year before stabilizing. Next year, prices will rise 4.4 percent to \$213,900, NAR estimates.

The pending resales measure is considered a leading indicator because it tracks contract signings. The existing-home sales report reflects closings, which typically occur a month or two later.

The Realtors group will release its May existing home sales report on June 26. Purchases in April dropped to a 4.89 million annual pace, matching the weakest rate since records began. It would take an all-time high of 11.2 months to sell all the houses on the market at the current sales pace.

#### Loan Index Down 13%

Concern that home prices will keep falling and recent increases in mortgage rates will probably extend the sales slump. The average rate on a 30-year fixed mortgage rose to 6.09 percent last week, the highest since the week ended March 20, according to Freddie Mac, the No. 2 U.S. purchaser of home loans.

Other measures also are showing sales may continue to decline. The Mortgage Bankers Association's index of applications for loans to purchase homes has fallen 13 percent since

the beginning of May, ending the month at the lowest level in five years.

Values were down 3.1 percent in the first quarter compared with the same period last year, the second quarterly decline after 13 years of increases, the Office of Federal Housing Enterprise Oversight said May 22.

For all of last year, the median price of an existing home dropped 1.8 percent, the first decrease since records began in 1968 and probably the first since the 1930s, the group said in January.

"What people are most scared of is looking like a schmuck," Toll Brothers Holdings Inc. CEO Robert Toll said at a conference in New York last week. "What do I want to buy a home for and next year be looking at 10 percent less asset?"

Toll predicted the housing slump may last another two to three years. On June 3, the company reported its third straight quarterly loss.

Still, the decline in prices is making homes more affordable.

Information from Bloomberg News was used in this report.

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