

Housing Market Is Showing Signs of a Turnaround

By Reuters
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Pending sales of previously owned U.S. homes unexpectedly rose in April to the highest level in six months as foreclosed properties flooded the market and drove prices sharply lower, a real estate trade group report showed.

The National Association of Realtors Pending Home Sales Index, based on contracts signed in April and seen as a key barometer of future housing activity, increased 6.3 percent to 88.2 from an unrevised 83.0 in March.

Despite the uptick, sales were 13.1 percent lower than a year ago.

"Bargain hunters have entered the market en masse, especially in areas that have seen double-digit price declines," said the association's chief economist, Lawrence Yun.

Regions of the country that have seen sharp price declines, such as the West, are now seeing a sales recovery, he added.

Economists polled by Reuters before the report were expecting pending home sales to decline 0.5 percent.

"We are seeing an acceleration in foreclosures. As foreclosures have taken off, they put pressure on prices. Banks have become more aggressive with sales on homes they have foreclosed," said Christopher Low, chief economist at FTN Financial in New York.

Low said the pickup in pending home sales could be a sign that the housing market could soon be stabilizing.

"Sales will stabilize in the next few months and that will set the stage for inventories turning to normal sometime next year and maybe even for prices to appreciate a bit," he said. "For now, prices will continue to fall. There is still an inventory overhang that will take 18 months to work through. The end game of the housing bust is near."

The median home price fell 8 percent in April from a year earlier, according to a report from the National Association of Realtors last month, which was the second-largest price decline on record.

The pending sales index is supposed to be a leading indicator for the housing market, based on contract signings that usually lead to actual sale closings in one or two months. ([Video: Diana Olick digs into the numbers](#)).

The regional indices rose in all areas of the US except the Northeast, where it fell 1.9 pct in April.

The index rose 13.0 pct in the Midwest, 8.3 pct in the West, and 4.6 pct in the South.

U.S. Treasury debt prices fell Monday after the surprise jump in April pending home sales, while U.S. stock markets were up.

The unexpected rise could be the result of statistical reporting issues being disrupted from an earlier-than-usual Easter holiday week.

"The exceptionally early Easter meant that all the holiday disruption was in March, so April had more selling days than usual," said High Frequency Chief Economist Ian Shepherdson, expecting the May data will reflect a sharp drop.

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