

Pending Home Sales Show Surprising 5.3% Gain

CNBC.com
August 7, 2008

U.S. home sales contracts signed in June unexpectedly rose, boosting an index of pending sales to the highest level since October, though it was well below the year-ago level, a real estate trade group said on Thursday.

The National Association of Realtors said its Pending Home Sales Index, based on contracts signed in June, was up 5.3 percent to 89.0 from a downwardly revised 84.5 in May.

It was the highest reading for the index since October, when it was at 89.8.

Some analysts said the main reason for the June improvement might be that banks were aggressively marking down prices on foreclosed properties to get them off their books. But even that is a sign that housing markets are being brought into order.

"There are some bottom feeders coming in to buy some of these homes in distressed situations," said Andrew Richman, managing director for SunTrust's personal asset management division in West Palm Beach, Fla.

The pickup in June signings sharply contrasted with forecasts by economists polled by Reuters who had expected contract signings to decline 1 percent.

The association's senior economist, Lawrence Yun, said the swing in monthly signings "indicates a housing market in transition," but said it nonetheless was encouraging.

"This is welcome news because a rise in contract activity is necessary for an overall housing recovery," Yun said.

Pierre Ellis, senior global economist for Decision Economics in New York, noted that there were still huge inventories of unsold homes on the market, so the pending sales data had to be treated with some caution.

"This is telling us that sales have stabilized," Ellis said. "This raises some hope that we've flattened out, which doesn't mean the problem is solved."

June contract signings rose 9.3 percent in the South, by 4.6 percent in the West, 3.4 percent in the Northeast and 1.3 percent in the Midwest.

Still, contract signings in June were 12.3 percent below levels in June 2007, a measure of how far the housing market has to go to begin recovering from its worst slump since the Great Depression.

The real estate group said the improvement in signings "appears to be broadening" and expressed hope that housing legislation signed into law last month will further encourage buyers. The legislation offers a tax credit to first-time home buyers and aims to ward off some foreclosures.

This news was brought to you by Adding Value LLC, a company whose mission is to enhance market value, processes and profitability by increasing the appeal, function and marketability of homes & properties with quality building products and service.

