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Existing-home sales rose 5 percent in Feb.

Biggest jump in more than five years; median price down 15% to $165,400

Associated Press
updated 1 hour, 56 minutes ago

WASHINGTON - Sales of existing homes rose from January to February in an unexpected boost for the slumping housing market as buyers took advantage of deep discounts on foreclosures.

The National Association of Realtors said Monday that sales of existing homes grew 5.1 percent to an annual rate of 4.72 million last month, from 4.49 million units in January. It was the largest sales jump since July 2003.

Sales had been expected to fall to an annual pace of 4.45 million units, according to Thomson Reuters.

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But the Realtors still described the sales level as "relatively soft."

Lawrence Yun, chief economist for the trade group, said first-time buyers accounted for half of all home sales last month, with activity concentrated in lower price ranges.

"Because entry level buyers are shopping for bargains, distressed sales accounted for 40 to 45 percent of transactions in February," he said in a news release. "Our analysis shows that distressed homes typically are selling for 20 percent less than the normal market price, and this naturally is drawing down the overall median price."

The median sales price plunged to $165,400, down 15.5 percent from $195,800 a year earlier. That was the second-largest drop on record.

February's median sales price was up slightly from January, which recorded the lowest median price since September 2002. Prices are down about 28 percent from their peak in July 2006.

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In contrast with the housing boom, when buyers took out ever-riskier loans and maxed out their home equity lines, "homebuyers are not over stretching" said Yun. "They want to stay within their budget."

By summertime, sales are expected to get a boost from a $8,000 tax credit for new home buyers included in the economic stimulus package signed by President Barack Obama last month.

The number of unsold homes on the market last month rose 5.2 percent to 3.8 million, a typical increase for the winter months. At February's sales pace, it would take 9.7 months to rid the market of all of those properties, unchanged from a month earlier.

The bursting of the U.S. housing bubble has caused foreclosures to swamp the market — especially in particularly distressed states like California, Florida, Nevada and Arizona.

The Federal Reserve last week moved to reduce already low rates by printing $1.2 trillion and pumping it into the economy through the purchases of mortgage-backed securities and Treasury debt.

The central bank also will double its purchases of debt issued by Fannie Mae and Freddie Mac to $200 billion.

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