BUSINESS

Existing homes sell well in August

Increase in rents drives some to buy

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Affordability, investors and rising rents helped spur last month's increase in sales of previously owned homes.

Wells Fargo economist Sam Bullard said with economic growth "sputtering," modest recovery seen so far in home sales is likely to become even more sluggish.

The National Association of Realtors reported Wednesday that existing home sales — completed transactions on single-family, townhomes, condominiums and co-ops — were up 7.7 percent in August from July and 18.6 percent higher than the level in August 2010.

Walter Molony, NAR spokesman, said the housing market is trying to recover on its own but is underperforming, given "headwinds" like tight credit, appraisal problems, the availability of flood insurance and loan limits being rolled back, which is hurting some high-cost markets.

"We should be seeing stronger levels of activity," he said.

The Greenville area is also one of nine metro areas across the state where existing home sales were higher last month than in August 2010.

Home sales in Greater Greenville were up 42 percent from August 2010, according to the Greater Greenville Multiple Listing Service.

Statewide, sales were down 12.1 percent from August 2010, 15.2 percent from the most recent quarter, and 8 percent year-to-date, according to Multiple Listing statistics released by the South Carolina Association of Realtors.



Existing home sales were up nationwide in August. STEVEN SENNE/THE ASSOCIATED PRESS

Lawrence Yun, NAR's chief economist, said some of the improvement in August may have resulted from sales delayed in preceding months.

But, he said, "favorable affordability conditions and rising rents are underlying motivations. Investors were more active in absorbing foreclosed properties."

Twenty-two percent of the homes purchased last month were by investors. That's up from 18 percent in July and 21 percent in 2010.

The national average commitment rate for a 30-year, conventional, fixed-rate mortgage fell to 4.27 percent in August, down from 4.55 percent in July.

Molony said nationwide vacancy rates on residential rentals are declining and putting more pressure on rents to increase at faster rates. That's causing more people to buy rather than rent, he said.

"In much of the country, if you're looking at a comparably sized property, a mortgage payment is cheaper than rent for those who can get a mortgage and have long-term plans," he said.

In 2010, effective rental rates in the U.S. grew by about 4.5 percent at a 93.9 percent occupancy rate. At the same time, Greenville's rental rates soared 11.3 percent after falling 7.8 percent in 2009, said Ron Johnsey, president of AXIOMetrics Inc., a Texas-based apartment market research firm.

Rents in the Greenville area were up 5 percent this year through August, and the occupancy rate is up to 93.7 percent, Johnsey said.