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Sales of previously occupied homes took the largest monthly drop in more than 40 years in December, falling more than expected after a tax credit was extend.

Home sales up in '09 as prices fell 12%

Market still too weak to sustain economic recovery, experts say

By Alan Zibel
THE ASSOCIATED PRESS

WASHINGTON — Sales of previously occupied homes rose in 2009 for the first time in four years, despite a December slump that was due to a tax credit that had caused many buyers to complete sales earlier.

Still, prices plunged more than 12 percent last year — the sharpest fall since the Great Depression. The price drop for 2009 — to a median of $173,500 — showed the housing market remains too weak to help fuel a sustained economic recovery. Total sales for 2009 were nearly 5.2 million, up about 5 percent from 2008.

Concerns remain that the housing market will weaken after March 31, when the Federal Reserve is set to end its program to buy mortgage securities to keep home loan rates low. Once that program ends, mortgage rates could rise.

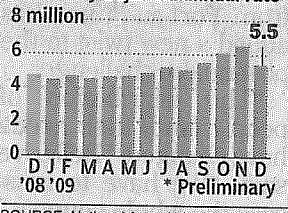
The numbers "clearly indicate that the rebound in housing demand observed so far has been largely supported by government programs," Anna Piretti, senior economist at BNP Paribas, wrote Monday.

The poor December showing occurred after Congress extended the tax credit, easing pressure on buyers to act quickly. The credit of up to $8,000 for first-time homeowners had been due to expire Nov. 30. But Congress extended the deadline and expanded it with a new $6,500 credit for existing homeowners who move.

December's sales fell 16.7 percent to a seasonally adjusted annual rate of 5.45 million, from an unchanged pace of 6.54 million in November, the National Association of Realtors said Monday. Sales had been expected to fall by about 10 percent, according to economists surveyed by Thomson Reuters.

Home sales drop

In December, existing home sales dropped 16.7 percent, the largest monthly drop in more than 40 years.



SOURCE: National Association of Realtors AP