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July home sales surge by more than 7 percent

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WASHINGTON — The U.S. housing market is rebounding faster than expected.

The question is, can it last?

Home resales in July posted the largest monthly increase in at least 10 years as first-time buyers rushed to take advantage of a tax credit that expires this fall. Sales jumped 7.2 percent and beat expectations, the National Association of Realtors said Friday.

"The housing market is back up and running and that is great news," wrote Joel Naroff of Naroff Economic Advisors.

Sales hit a seasonally adjusted annual rate of 5.24 million in July, from a pace of 4.89 million in June. It was the fourth-straight monthly increase and the strongest month since August 2007. Sales had been expected to rise to an annual pace of 5 million, according to economists surveyed by Thomson Reuters.

The risks, however, are unemployment, mortgage rates, and a homebuyer tax credit that is over at the end of November. And the last one could be a doozy because first-time buyers are snapping up one out of every three homes.

First-time buyers get a credit of 10 percent of the purchase price of a home, up to $8,000. Singles must earn less than $75,000, and couples less than $150,000. The real estate industry is lobbying to have the credit extended, but it's unclear if Congress will be swayed.

"I would not be at all surprised to see a dip at the end of the year once the tax credit expires," said Robert Dye, senior economist with PNC Financial Services Group.

The home sales report was another sign that the U.S. economy is on the verge of a long-awaited recovery after enduring a brutal recession and the worst financial crisis since the Great Depression.

Economic activity in both the U.S. and around the world appears to be leveling out and "the prospects for a return to growth in the near term appear good," Federal Reserve Chairman Ben Bernanke said Friday.

But fallout from the recession will linger for some time. Unemployment rose in July in 26 states and fell in 17, the Labor Department said Friday. That is driving up foreclosures, which are not expected to level off until sometime next year.

Sales of foreclosures and other distressed properties made up about a third of all transactions last month.



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A person runs past three for sale signs posted on homes in Philadelphia. Home resales posted the largest monthly increase in at least 10 years last month.