

Business

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Pending home sales post increase

By ALAN ZIBEL
 Associated Press

WASHINGTON — An index that tracks contracts to purchase homes rebounded in December, as buyers snapped up properties at deep discounts, especially in the South and Midwest.

It was the second positive sign in the past two weeks for the troubled U.S. housing market, and may indicate that a bottom is forming — at least for home sales. Analysts, however, caution that prices are likely to keep falling through 2009, and say the outlook for home sales is uncertain, especially as layoffs mount and banks' lending standards remain tight.

"Buyers are dipping their toes back into the housing market, but they have yet to really take the plunge," wrote Joel Naroff, chief economist with Naroff Economic Advisors.

The National Association of Realtors said Tuesday its

seasonally adjusted index of pending sales for previously owned homes for December rose 6.3 percent to 87.7 from an upwardly revised November reading of 82.5, which was the lowest month on record. That's better than the 82.3 reading economists expected, according to a survey by Thomson Reuters.

The reading also was up 2.1 percent from December 2007. Typically there is a one- to two-month lag between a contract and a done deal. Home sales that were pending in December are likely to be completed in the coming weeks.

After the stock market crashed last fall, sales of existing homes plunged in October and November, but recovered in December. Tuesday's pending home sales report indicates January sales data, to be released later this month, may look good too.

While lower prices and lower mortgage rates appear to

be boosting demand, the timing of a housing market turnaround is likely to depend on how far the overall economy sinks.

"Eventually, the positives will outweigh the negatives," said Pierre Ellis, senior economist with Decision Economics in New York. "Hopefully, that will be reasonably soon and we'll have the beginnings of a recovery."

Even when that happens, most economists expect home prices will increase slowly.

In the Realtors' report, pending home sales increased about 13 percent in the South and Midwest, but fell almost 4 percent in the West and about 2 percent in the Northeast.

The Realtors group, normally known for its optimistic view of the housing market, is now cautioning against getting too enthusiastic about any recovery — as it lobbies hard for new government tax credits to boost home sales.



In this file photo, a contract pending sign is shown in Richland Hills, Texas. The National Association of Realtors says pending U.S. home sales rebounded in December.

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 "Significant uncertainty conditions," Lawrence Yun, the group's chief economist said in a statement.