



U.S. Pending Home Resales Rise as Prices, Rates Drop (Update2)

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By Timothy R. Homan

Feb. 3 (Bloomberg) -- More Americans signed contracts to buy previously owned homes in December for the first time in four months, signaling slumping prices may be boosting demand.

The **index** of pending home resales climbed 6.3 percent to 87.7, the first increase since August, from a revised 82.5 in November, the National Association of Realtors said in a report today in Washington. Pending sales rose in two of four regions.

Record foreclosures are pushing down **home values**, making homes more **affordable** for those buyers able to get financing. Still, restrictive lending rules and further price declines are likely to scare away the majority of purchasers, indicating the real-estate recession will persist for a fourth year in 2009.

"Lower prices probably have attracted some buyers," said **David Sloan**, a senior economist at 4Cast Inc. in New York, who projected an increase. Still, "the rise may be difficult to sustain."

Stocks rose following the report, reversing earlier losses, while Treasury securities dropped. The Standard & Poor's 500 index was up 0.1 percent at 824.89 at 10:28 a.m. in New York. The **builder composite** index jumped 6.1 percent. The yield on the 10- year note was 2.80 percent, up from 2.72 at the close yesterday.

Economists forecast pending sales to be unchanged in December after an originally reported drop of 4 percent in the prior month, according to the **median forecast** of 28 economists in a Bloomberg News survey. Estimates ranged from a drop of 5 percent to a 2 percent increase.

Record Vacancies

A record 19 million U.S. houses stood empty at the end of 2008, the U.S. Census Bureau said in a report today. The vacancy rate, the share of empty homes for sale, rose to 2.9 percent in the last quarter, the most in data that goes back to 1956.

The pending purchase report showed resales jumped 13 percent in both the South and Midwest regions. Signed purchase contracts declined 3.7 percent in the West and 1.7 percent in the Northeast.

"The biggest gains were in areas with the biggest improvements in affordability," **Lawrence Yun**, the group's chief economist, said in a statement. The NAR's affordability index reached a record high in December.

The Realtors group, whose pending sales data go back to January 2001, started publishing the index in March 2005. The gauge was up 2.1 percent from December 2007.

Pending resales are considered a leading indicator because they track contract signings. Closings, which typically occur a month or two later, are tallied in the Realtors' monthly existing-home sales report. That report for January is scheduled to be released Feb. 25.

December Jump

Purchases of previously owned homes, which account for about 90 percent of the market, **climbed 6.5**

percent in December from the prior month as foreclosures helped drive median **prices** down 15 percent from a year earlier.

December sales of **new homes**, which account for the remainder, dropped to a record low, a report from the Commerce Department showed last week.

The Obama administration is considering giving government guarantees to mortgage holders that modify the terms of their loans to stem the record surge in foreclosures. The proposal, which may also have the taxpayer share in the cost of reducing mortgage payments, is aimed at shielding lenders from default after they loosen loan terms for struggling borrowers.

Lower mortgage rates are already making homes more affordable. The rate on a **30-year fixed mortgage** averaged 5.33 percent in December, down from 6.09 percent the previous month, according to data from Freddie Mac.

Still, foreclosures continue to mount. Delinquency filings increased 41 percent in December from a year earlier, RealtyTrac Inc., a seller of default data, said last month.

Prices Drop

Average house prices have fallen by about a quarter from their peaks in mid-2006, according to the S&P/Case-Shiller home price index. Property values in 20 U.S. cities declined 18.2 percent in November from a year earlier, the fastest drop on record, according to a report last week.

The U.S. housing market lost \$3.3 trillion in value last year and almost one in six owners with mortgages owed more than their homes were worth, according to a report today from Zillow.com. The median estimated home price declined 11.6 percent in 2008 to \$192,119 and homeowners lost \$1.4 trillion in value in the fourth quarter alone, the Seattle-based real estate data service said.

The slow pace of sales is hurting homebuilders. **Ryland Group Inc.**, based in Calabasas, California, reported its eighth straight quarterly loss on Jan. 28. October and November were "two of the slowest months I've ever experienced," Chief Executive Officer R. Chad Dreier, who has been in the business almost 32 years, said on a conference call with analysts.

Cutting Costs

D.R. Horton Inc., the third-largest U.S. homebuilder by revenue, today reported its smallest loss in five quarters as costs and charges fell faster than revenue.

"Market conditions in the homebuilding industry continued to deteriorate during our first fiscal quarter," Chairman Donald R. Horton said in the statement. "Rising foreclosures, high inventory levels of both new and existing homes, increasing unemployment, tight credit for homebuyers and eroding consumer confidence" were to blame, he said.

A majority of banks made it tougher for consumers and businesses to get credit in the past three months even as lenders received infusions of taxpayer funds, a Federal Reserve report showed yesterday.

The pain is reverberating beyond builders. **DuPont Co.**, the third-biggest U.S. chemical maker, last week reported a fourth-quarter loss of \$629 million.

Profit in the Wilmington, Delaware-based company's safety and protection business fell 62 percent as sales declined for housing products such as Tyvek weather barrier and Corian countertops. DuPont said it will eliminate 8,000 contractor jobs, twice the target announced in December.

A report from the Commerce Department yesterday showed spending on U.S. private residential construction fell 3.2 percent in December after a 4.1 percent decline the previous month. Last year, spending on home building plummeted a record 27 percent.

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Last Updated: February 3, 2009 10:29 EST



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