

Pending Sales Rose in October

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by Carla Hill, Managing Editor

Housing affordability is bringing buyers to the market, say industry leaders. And the proof is in the numbers. Pending home sales rose in October, up 10.4 percent from September.

Lawrence Yun, chief economist for the National Association of Realtors (NAR), reports, "It is welcoming to see a solid double-digit percentage gain, but activity needs to improve further to reach healthy, sustainable levels. The housing market clearly is in a recovery phase and will be uneven at times, but the improving job market and consequential boost to household formation will help the recovery process going into 2011."

Regionally, all areas saw double digits gains, except for the West, which still struggled -- at a 0.4 percent decrease from the month prior. The largest increase was seen in the Midwest, which surged ahead 27.3 percent.

If one looks to the NAR's Housing Affordability Index, the appeal of today's market becomes evident. From 2007 to today, the median house price in the U.S. has fallen from \$217,900 to just \$171,100. Interest rates have dropped from 6.52 percent to 4.62 percent, while median incomes have risen slightly. This means a buyer can find themselves with the same house as 3 years prior, but for smaller monthly payments. And although buyers must have cash for downpayment, as well as good credit, there may have never been a better time to buy if you are in the position to do so.

Will homes sales continue to climb? This could depend very much on the state of the job market, which for now continues to struggle.

The Labor Department reports that "this past November, nonfarm payroll employment increased by 39,000 jobs, and the unemployment rate increased to 9.8 percent." They note that while 1.2 million private sector jobs have been created, this is nowhere near enough to make up for the 15 million unemployed, and the new unemployed that continue to enter the ranks.

Yun notes, that, "more importantly, a return to more normal loan underwriting standards and removal of unnecessary underwriting fees for very low risk borrowers is needed and could quickly help in the housing and economic recovery."

