

Pending Sales Of Homes Slip, But Remain Solid

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WASHINGTON — Fewer Americans signed contracts to buy U.S. homes in July, but the level stayed close to a 6 ½ - year high. The modest decline suggests higher mortgage rates have yet to sharply slow sales.

The National Association of Realtors says its seasonally adjusted index for pending home sales declined 1.3 percent to 109.5. That's close to May's reading of 111.3, which was the highest since December 2006.

The small decline suggests sales of previously owned homes should remain healthy in the coming months. There is generally a one- to two- month lag between a signed contract and a completed sale.

Final sales jumped to an annual pace of 5.4 million in July, the highest in 3½ years, the Realtors said last week. That's consistent with a healthy housing market.

Higher mortgage rates appeared to have had a bigger impact on new-home sales, which plummeted last month. That raised fears that rate increases were restraining the housing recovery.

But many economists note that home prices and mortgage rates remain low by historical standards. Consistent job gains and rising consumer confidence may also support sales in the coming months.

“ Higher mortgage rates are clearly negative for housing, but other key drivers, including the labor market, confidence, and expectations for prices and interest rates still point to improvement,” Jim O’Sullivan, chief U. S. economist at High Frequency Economics, said in a note to clients.

The average rate on a 30year mortgage reached 4.58 percent last week, the highest level in two years and up from **3.35** percent in early May. Still, that's below the average since 1985 of about 7 percent, according to Bankrate.com.

Mortgage rates began to rise after Federal Reserve Chairman Ben Bernanke first signaled that the Fed might reduce its bond purchases later this year. The purchases have helped keep borrowing costs low.

Rising home prices and more construction have boosted economic growth and created more jobs. The housing recovery has provided crucial support to the economy when other drivers, such as manufacturing, have struggled.

However, gains in home prices may be starting to level off. Prices jumped 12.1 percent in June from a year earlier, according to the Standard & Poor's/ Case-Shiller home price index released

Tuesday. That's slightly slower than May's 12.2 percent year-over-year gain. But price increases slowed in June from May in 14 of the 20 cities tracked by the index.

The stabilization in prices isn't necessarily a bad thing, economists said, because it could keep homes affordable and help prevent a bubble from developing in the housing market.



AP File

This house in Lebanon, Pa., sold in July. The National Association of Realtors reported on Wednesday a modest decline in signed contracts to buy homes last month.