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ECONOMY | ECONOMIC DATA

U.S. Existing-Home Sales Highest Since February 2007

Data signal the U.S. housing market is stabilizing as 2016 comes to a close



A house for sale in Arcadia, Calif., on May 17. PHOTO: FREDERIC J. BOWN/AGENCE FRANCE-PRESSE

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WASHINGTON—Homebuying activity rose in October for the second straight month to a new cyclical high, a sign the housing market is stabilizing as the year comes to a close.

Sales of previously owned homes rose 2.0% from September to a seasonally adjusted annual rate of 5.60 million, the National Association of Realtors said Tuesday. That is the strongest pace since February 2007.

Economists surveyed by The Wall Street Journal had expected a sales rate of 5.45 million in October.

Existing-home sales account for the vast majority of U.S. homebuying activity. After hitting an annual rate of 5.57 million in June, sales softened over most of the third quarter before picking up over the past two months. September's sales pace was revised up to 5.49 million from an earlier estimate of 5.47 million.

Sales were up on an annual basis in all four regions of the country, pointing to a "broad-based" housing recovery, said Lawrence Yun, the NAR's chief economist.

Sales of previously owned homes in October were up 5.9% from a year earlier.

Homebuying continued despite low inventory and rising prices. At the latest sales pace, it would take 4.3 months to exhaust the supply of previously owned homes on the market, down from 4.8 months in October 2015. Housing inventory has fallen on a year-over-year basis for 17 straight months, NAR said. The median price of an existing home sold in October was \$232,200 up 6.0% on the year.

First-time home buyers accounted for 33% of October sales, according to NAR, down

from 34% in September, a figure that matched the highest level since July 2012. Distressed sales ticked up 1 percentage point to account for 5% of all sales.

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The U.S. housing market's prolonged recovery following the 2007-09 recession was a solid contributor to overall economic growth in recent years. But a pullback in residential investment during the second and third quarters, following eight consecutive quarters of growth, has acted as a drag on the broader economy.

Still, home-building activity rebounded in October, with starts in single-family and multifamily housing posting increases, and permits edging higher as well, the Commerce Department said last week. Home-builder sentiment also held at an elevated level in November, the National Association of Home Builders said last week, although construction is still at historically low levels.

The Commerce Department's report on new home sales will be released Wednesday.

Borrowing costs remain low for prospective home buyers who qualify for loans. The average interest rate on a 30-year fixed-rate mortgage in October was 3.47%, below the October 2015 average of 3.80%, according to Freddie Mac. But mortgage rates have already risen since then and may continue to, if, as many economists surveyed by The Wall Street Journal predict, Federal Reserve officials raise interest rates at their December policy meeting. That could further damp enthusiasm for home buying.

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