

U.S. home sales strongest in nearly a decade

By Josh Boak, AP

WASHINGTON – Americans bought homes in October at the fastest pace in nearly decade, helped out by low mortgage rates that have since started to climb following the presidential election of Donald Trump.

The National Association of Realtors said Tuesday that sales of existing homes rose 2 percent to a seasonally adjusted annual rate of 5.6 million. Sales reached their strongest pace since February 2007, a sign that the market is still healing from the collapsing prices and foreclosures that ignited the 2008 financial crisis.

A stable job market and historically cheap borrowing costs have spurred demand from homebuyers this year. But sales growth has been tempered somewhat by accelerating prices and a shortage of properties on the market. Sales gains could possibly slow in the coming months as rising mortgage rates are making home loans more expensive.

“Clearly, the market continues to underestimate just how much demand for homes is out there, even in the face of tight inventory and rising existing home prices that are now the highest on record,” said Svenja Gudell, chief economist at the real estate firm Zillow.

Falling mortgage rates helped boost sales for much of the year, but rates surged following this month’s presidential election. The increase means that yearly debt payments for a median-priced home would increase by more than \$500 on average for people attempting to buy homes in November and December.

Investors expect the federal budget deficit to rise in a Trump

administration, causing the yield on 10-year U.S. Treasury notes to reach roughly 2.3 percent.

The rising interest rates trickled into the housing market. The average 30-year, fixed-rate mortgage climbed to nearly 4 percent from less than 3.5 percent at the end of October. Few housing experts say that higher rates at this stage will fully disrupt sales, although it might cause some existing homeowners to stay in place rather than upgrade to new homes and costlier mortgages. The impact of higher rates could be offset if wages accelerate strongly during a Trump administration, giving Americans higher incomes.

Still, the supply crunch of the past year shows little sign of reversing itself.

Sales listings have fallen 4.3 percent over the past year to 2.02 million homes. The shortage has pushed up the median sales price of existing homes 6 percent from a year ago to \$232,200.

The low mortgage rates aided buyers with solid credit, although tighter lending standards appears to have hurt potential sales.

An analysis released this week by the Urban Institute, a Washington-based think tank, found that there could have been an additional 1.1 million mortgages issued in 2015 if traditional lending practices had been in place that put less emphasis on stronger credit scores above 700.

The tighter credit standards have helped foster a housing market that prefers cash buyers and investors who may be more likely to rent homes to tenants than live in them.