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Home sales up at end of dismal year

By Derek Kravitz
The Associated Press

WASHINGTON — Home sales rose in December to the highest pace in nearly a year.

The gain coincides with other signs that show the troubled U.S. housing market improved at the end of last year.

Still, sales remain depressed and ended 2011 well below healthy levels.

The National Association of Realtors said Friday that sales increased 5 percent last month to a seasonally adjusted annual rate of 4.61 million, the best level since January 2011 and the third straight monthly increase.

For the year, sales totaled only 4.26 million. While that's up from 4.19 million the previous

year, it's below the 6 million that economists equate with healthy housing markets.

Sales are increasing at a time when the market is flashing other positive signs. Mortgage rates are at record-low levels. Homebuilders have grown slightly less pessimistic because more people are saying they might be open to buying a home this year. And home construction picked up in the final quarter of last year.

The median sales price rose 2.3 percent to \$164,500 in December.

Hiring has also improved, which is critical to a housing rebound. Applications for unemployment benefits are near a four-year low. The unemployment rate fell in December to its lowest level in nearly three years. And companies

are coming off their best six-month stretch for hiring since 2006.

Still the housing market has a long way to go before it is fully recovered from the bust four years ago. In the last four years, home sales have slumped under the weight of foreclosures, tighter credit and falling price.

Fewer first-time buyers, who are critical to a housing recovery, are in the market for a home. Purchases by that group fell last month to make up only 31 percent of sales. That's down from 35 percent in November. In healthy markets, first-time buyers make up at least 40 percent.

At the same time, homes at risk of foreclosure made up a third of all sales last month. In healthy markets, they comprise 10 percent.