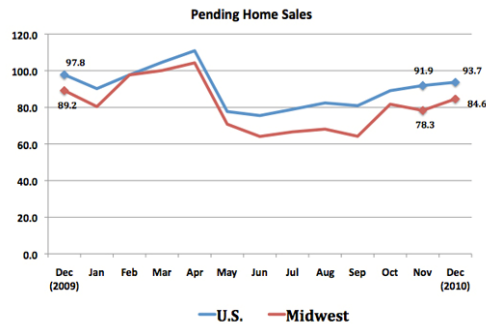


More people sign contracts to buy homes last month

by [Lily Cunge Cai](#)

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Lily Cai/MEDILL

Pending home sales continue to show modest gains.

Pending home sales continued to grow in December and achieved their fifth gain in the past six months, the National Association of Realtors reported Thursday.

The index was up 2 percent to 93.7 based on contracts signed by homebuyers last month. That was up from 91.9 in November but it was still 4.2 percent below the 97.8 mark in December 2009. An index of 100 is equal to the average level of contract activity during 2001, which was a historically healthy period. The economic indicator monitors the relationship between existing-home sale contracts and transaction closings.

“Modest gains in the labor market and the improving economy are creating a more favorable backdrop for buyers,” said Lawrence Yun, National Association of Realtors chief economist, in a release.

Pending home sales in the Midwest rose 8 percent in December to 84.6 but fell 5.1 percent from a year ago. “This is definitely in all the trends we’ve been seeing,” said Mary Schaefer, director of communications at Illinois Association of Realtors.

However, Schaefer warned a possible slowdown in the sales number could be coming during the first quarter of 2011. “We will be comparing numbers with last year, where there was an incentive for first-time home buyers,” she said, referring to a federal tax credit designed to spur sales.

Yun predicted that the national home sales uptrend is likely to continue this year “as long as there is sufficient demand to absorb inventory.” He projected home sales in

2011 will reach into the mid-5 million range. "However, sales above 6 million, as occurred during the bubble years, is highly unlikely this year," he added.

According to the Illinois Realtors, December single-family home and condo sales in the city of Chicago soared 26.2 percent to 1,444 from 1,144 in the previous month. Meantime, the median home price dropped 5.1 percent compared with December 2009.

"The prices are going up on rental," said Mabel Guzman, president of the Chicago Association of Realtors. "It's becoming actually much more a better bargain to go ahead and buy something as opposed to rent it."

Chicago Bancorp Inc., an independent mortgage banker, has been bullish on the residential real estate market. "The affordability is so strong that we continue to see demand for purchase, especially first-time home buyers," said Jeffrey Walker, president of **Chicago Bancorp** Direct, its online unit.

In a year-end foreclosure report issued Thursday by RealtyTrac, the Chicago-Naperville-Joliet metro area ranked second highest in bank repossessions in 2010, an increase of nearly 20 percent from 2009.

Walker said foreclosures definitely put downward pressure on the housing market, as well as new construction activity. But he said there could be opportunities for buyers who are interested in those properties. "The market has become more sophisticated now that the time frame has shortened significantly," Walker said.

Although the uptrend in home sales has injected some hope into the market, high unemployment levels remain a big concern. "As long as people don't have jobs and they're not confident, they are not going to make major purchases," Guzman said.

"We'll see good stuff [in 2011], but it's not going to be hippy or anything like that," Guzman said. "It's going to be pretty stable, kind of just moving along."