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U.S. pending home sales hit eight-month high in May

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By Moriah Costa

WASHINGTON (Reuters) - Contracts to buy previously owned U.S. homes hit an eight-month high in May, the latest indication that housing was pulling out of a recent soft patch.

The National Association of Realtors (NAR) said on Monday its Pending Home Sales Index, based on contracts signed last month, increased 6.1 percent to 103.9, the highest level since September of last year.

The percent increase was the largest since April 2010, just before the expiration of a tax credit for first-time home buyers, and far outpaced economists' expectations for only a 1.5 percent advance.

Contracts increased in all regions of the country, with the Northeast and West experiencing the largest gains.

"The housing market is likely to continue recovering lost ground following its weather-induced stumble earlier this year," said Gennadiy Goldberg, an economist at TD Securities in New York. "We look for the stronger pending home sales report to help put fears of 'flattening' housing market momentum to rest in the near-term."

The data had little impact on U.S. financial markets.

Housing is slowly finding its footing after being slammed by a run-up in mortgage rates, surging home prices and a shortage of properties for sale. Data last week showed sales of both previously owned and new homes rose last month.

Still, the recovery has a long way to go. Signed contracts, which lead existing home sales by a month or two, were down 5.2 percent compared to May of last year.

Existing home sales are expected to decrease by 2.8 percent this year to 4.95 million, compared to 5.1 million sales in 2013, according to the NAR.

A separate report on Monday showed a moderation in the pace of factory activity in the Midwest this month.

The Institute for Supply Management-Chicago business barometer fell to 62.6 from 65.5 in May, which had been the strongest level for the index since October 2013. Economists were looking for a reading of 63 in June.

(Reporting by Moriah Costa; Editing by Paul Simao)



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