WASHINGTON (Dow Jones)--Sales of previously occupied homes in the U.S. rose in August to the highest level in five months but remained weak from a historical perspective as the sputtering housing market fails to propel the economy. Existing-home sales increased 7.7% from a month earlier to a seasonally adjusted annual rate of 5.03 million, the National Association of Realtors said Wednesday. July's sales pace was unrevised at 4.67 million per year. Sales were up 18.6% from the same month a year earlier. The results were better than forecast. Economists surveyed by Dow Jones Newswires had expected home sales to rise by 2.7% to an annual rate of 4.80 million.

Jed Smith, an economist at the Realtors group, said the monthly sales increase resulted from closings of sales that had bogged down earlier in the summer due to tight mortgage-lending standards and problems with appraisals. "We had a number that were delayed, they closed," he said. However, cancellations of sales remained high. A survey of Realtors found that 18% of buyers who signed contracts for properties wound up canceling them in August -- double last year's rate. The median sales price was $168,300, down 5.1% from $177,300 a year earlier. Despite the monthly increase in sales, the U.S. continues to struggle with the aftermath of the worst housing bust in decades. Last year was the worst for existing-home sales since 1997. This year's sales are on track to be just slightly better. Home prices, meanwhile, are expected to drop 2.5% this year and rise just 1.1% annually through 2015, according to a survey of more than 100 economists released Wednesday by MacroMarkets LLC. And the International Monetary Fund on Tuesday cut its 2012 growth forecast for the U.S. to 1.8%, from 2.7%, citing a weak housing market as a key negative factor. The inventory of previously owned homes listed for sale, meanwhile, fell at the end of August to 3.58 million. That works out to a 8.5-month supply at the current sales pace, compared with a healthy level of about six months. The housing sector faces even more trouble at the end of this month, when the maximum size of loans that can be backed by government-controlled mortgage companies Fannie Mae (FNMA), Freddie Mac (FMCC) and the Federal Housing Administration declines. Congress can prevent those limits from falling, but appears unlikely to act. The new limits vary by location, but will drop to $625,500 in expensive markets such as New York, Los Angeles and Washington from the current $729,750. Many Republicans see letting the limits drop as a way to reduce the U.S. mortgage market's dependence on federal support. But Democrats, mainly from coastal states, want to maintain the current limits. Letting the limits fall is a "terrible mistake," Rep. Barney Frank (D., Mass.) told reporters Tuesday. "It doesn't cost us money, and it's going to be a further hit to housing." The Realtors' report said home sales grew last month compared with a month earlier in all four regions. Sales were up 18.3% in the West, 5.4% in the South, 3.8% in the Midwest and 2.7% in the Northeast. By Alan Zibel and Jeff Bater; Dow Jones Newswires; 202-862-9263; alan.zibel@dowjones.com (END) Dow Jones Newswires