

The Mortgage Corner

EXISTING HOME SALES CONTINUE DECLINE

Total existing-home sales – including single-family, townhomes, condominiums and co-ops – dipped 1.9 percent to a seasonally adjusted annual rate¹ of 6.18 million units in September from a level of 6.30 million in August, and were 14.2 percent below the 7.20 million-unit pace in September 2005, which was the third strongest month on record, according to the National Association of Realtors (NAR).

David Lereah, NAR's chief economist, said stabilizing sales should build confidence in the housing market. "Considering that existing-home sales are based on closed transactions, this is a lagging indicator and the worst is behind us as far as a market correction – this is likely the trough for sales," he said. "When consumers recognize that home sales are stabilizing, we'll see the buyers who've been on the sidelines get back into the market, and sales will be at more normal levels in the wake of the unsustainable boom that we saw last year." He noted sales already are improving in some areas.

Total housing inventory levels fell 2.4 percent at the end of September to 3.75 million existing homes available for sale, which represents a 7.3-month supply at the current sales pace. But this is higher than the 5-6 month averager that has existed this year to date. So sales are declining at the same pace as inventories, which is lengthening, not shortening the time frame for a market correction.

Still, NAR President Thomas M. Stevens said the industry is encouraged that the number of homes on the market is starting to decline. "It appears we have passed a cyclical peak in terms of the number of homes on the market," said Stevens. "The good news is that fewer new listings are coming online. A stable sales pace is expected to draw down the number of listings to a supply balance that will support positive price growth within a few months. Taking the long view is always the best way to approach housing decisions, and right now, buyers are in a very favorable market."

With the market in transition, the national median existing-home price for all housing types was \$220,000 in September, which is 2.2 percent below September 2005 when the median was \$225,000. The median is a typical market price where half of the homes sold for more and half sold for less.

Any price improvement would also depend on interest rates remaining moderate. The Federal Reserve Open Market Committee held interest rates steady today, though they would continue to remain "vigilant" for signs of increasing inflation. According to Freddie Mac, the national average commitment rate for a 30-year, conventional, fixed-rate mortgage was 6.40 percent in September, down from 6.52 percent in August; the rate was 5.77 percent in September 2005.

Single-family home sales slipped 1.6 percent to a seasonally adjusted annual rate of 5.42 million in September from a pace of 5.51 million August, and were 13.8 percent below the 6.29 million-unit level in September 2005, which was the second highest month on record. The median existing single-family home price was \$219,800 in September, down 2.5 percent from a year earlier.

Existing condominium and cooperative housing sales fell 3.2 percent to a seasonally adjusted annual rate of 763,000 units in September from 788,000 in August, and were 16.0 percent less than the 908,000-unit pace in September 2005. The median existing condo price³ was \$219,800 in September, which is 2.8 percent lower than a year ago.

Regionally, existing-home sales rose in the South 0.4 percent to an annual sales rate of 2.52 million in September, but were 9.0 percent below September 2005. Existing-home sales in the Midwest, West, and Northeast all declined, with median prices down an average 4 percent over last September.

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