

The Mortgage Corner

Existing Home Sales Second-Highest Ever

Existing-home sales rose in August to the second-highest pace on record, with strong price gains in a market of tight supply, according to the National Association of Realtors. Total existing-home sales – including single-family, townhomes, condominiums and co-ops – increased 2.0 percent in August to a seasonally adjusted annual rate¹ of 7.29 million from a pace of 7.15 million in July. Sales were 7.8 percent higher than the 6.76 million-unit pace in August 2004; the record was 7.35 million in June of this year.

August housing construction fell slightly to 2 million annualized units, but anything over a 2 million rate is still a record. Starts averaged just 1.6 million annualized units in 2000. This is while 2.14 million annualized building permits were issued, down slightly from July's 2.17 million pace.

David Lereah, NAR's chief economist, said the fundamental factors for housing remain positive. "With a general background of growing population and favorable affordability conditions, home sales are staying at very healthy levels," he said. "Housing inventory improved in August but remains tight, and we have some way to go before we get into a range of balance between home buyers and sellers. As a result, we'll continue to see above-normal home price appreciation for the foreseeable future."

Total housing inventory levels rose 3.5 percent at the end of August to 2.86 million existing homes available for sale, which represents a 4.7-month supply at the current sales pace. Historically, a supply of around six months is reflective of a market in balance between home buyers and sellers.

The national median existing-home price for all housing types was \$220,000 in August, up 15.8 percent from August 2004 when the median price was \$190,000. The median is a typical market price where half of the homes sold for more and half sold for less. This is the strongest rate of appreciation since July 1979 when annual price growth was 17.2 percent.

According to Freddie Mac, the national average commitment rate for a 30-year, conventional, fixed-rate mortgage was 5.82 percent in August, up from 5.70 percent in July; the rate was 5.87 percent in August 2004.

NAR President Al Mansell said there was some disruption from Hurricane Katrina at the end of August, but there was no measurable impact on August sales. "There will be a mixed impact in figures over the next couple months with total disruption in the hurricane disaster zone, offset by spiking sales from displaced residents in nearby regions which escaped heavy damage," he said.

Single-family home sales increased 1.9 percent to a record seasonally adjusted annual rate of 6.35 million in August from 6.23 million in June, and were 6.9 percent above the 5.94 million-unit level in August 2004. The median single-family home price was \$219,400 in August, up 16.2 percent from a year ago.

Existing condominium and cooperative housing sales rose 2.2 percent to a seasonally adjusted annual rate of 942,000 units from an upwardly revised pace of

922,000 in July, and was second only to a record of 963,000 in June of this year. Last month's sales level was 14.3 percent above the 824,000-unit pace in August 2004. The median condo price was \$226,800,² up 14.5 percent from a year ago.

Regionally, total existing-home sales in the West rose 5.6 percent to a pace of 1.69 million units in August, and were 8.3 percent higher than August 2004. The median existing-home price in the West was \$322,000, up 20.1 percent from a year ago. Existing-home sales in the Midwest increased 1.9 percent to a record annual sales rate of 1.64 million in August, and were 6.5 percent higher than a year earlier. The median price in the Midwest was \$176,000, which was 11.4 percent higher than August 2004.

Total existing-home sales in the Northeast rose 1.7 percent to an annual pace of 1.21 million in August, and were 8.0 percent above August 2004. The median price in the Northeast was \$254,000, up 16.5 percent from a year ago.

Existing-home sales in the South slipped 0.4 in August to a level of 2.74 million, but were 7.5 percent higher than a year earlier. The median price in the South was \$189,000, up 9.9 percent from August 2004.

Copyright 2005