The Mortgage Corner

Existing-Homes Inventory at Record Lows

By **Harlan Green** / Special to CASA

THE HOUSING MARKET IS RECOVERING WITH THE HIGHEST SALES AND PRICE RISES SINCE 2007. The only problem is that inventory is also at the lowest level since 2007, with just 4.4 month's supply of housing on the market. We haven't seen this low a level since early 2000.

Harlan Green

The result is that housing prices are predicted to rise some 5.6 percent this year, and housing construction are projected to top one million units for the first time in five to six years.

Total national existing-home sales, which are completed transactions that include single-family homes, townhomes, condominiums and co-ops, declined 1.0 percent to a seasonally adjusted annual rate of 4.94 million in December from a downwardly revised 4.99 million in November, but are 12.8 percent above the 4.38 million-unit level in December 2011, says the National Association of REALTORS.

The preliminary annual total for existing-home sales in 2012 was 4.65 million, up 9.2 percent from 4.26 million in 2011. It was the highest volume since 2007 when it reached 5.03 million and the strongest increase since 2004.

The result was that total housing inventory at the end of December fell 8.5 percent to 1.82 million existing homes available for sale, which represents a 4.4-month supply at the current sales pace, down from 4.8 months in November. It is the lowest housing supply since May of 2005.

This means new-home construction will have to pick up to satisfy the increasing demand for housing—which includes both single family homes and rental units for those who aren't purchasing. And the outlook is good, with privately-owned housing starts in December at a seasonally adjusted annual rate of 954,000. This is 12.1 percent above the revised November estimate of 851,000 and is 36.9 percent above the December 2011 rate of 697,000, according to the US Census Bureau.

On a year-over-year basis, private residential construction spending is now up 19 percent. Non-residential spending is up eight percent year-over-year, mostly due to energy spending says Calculated Risk. Public spending is down three percent year-over-year, and that is the real problem. Governments should be spending much more on public infrastructure, when and if the economy returns to more normal growth.

The real problem at present is the political gridlock. "Builders' sentiment remains very close to the index's tipping point of 50, where an equal number of builders view conditions as good and poor, and fundamentals indicate continued momentum in housing this year," said National Association of Home Builders Chief Economist David Crowe. "However, persistently tight mortgage credit conditions, difficulties in obtaining accurate appraisals and the ongoing stalemate in Washington over critical economic concerns continue to impede the housing recovery." Need we say more about what is holding back not only housing growth, but overall economic growth in this country?

Harlan Green has been the 11-year Editor-Publisher of PopularEconomics.com, a weekly syndicated financial wire service. He writes a Popular Economics Weekly Blog. He is an economic forecaster and teacher of real estate finance with 30-years experience as a banker and mortgage broker.