

The Mortgage Corner

February Existing Home Sales Rebound

Existing-home rose in February following five months of decline, indicating a stabilization is taking place in the market, according to the National Association of Realtors. Total existing-home sales – including single-family, townhomes, condominiums and co-ops – increased 5.2 percent to a seasonally adjusted annual rate¹ of 6.91 million units in February from an upwardly revised pace of 6.57 million in January, but were 0.3 percent below a 6.93 million-unit level in February 2005.

NAR's chief economist, David Lereah, said mild weather appears to be responsible for some of the gain. "Weather conditions across much of the country were unseasonably mild in January and likely were a factor in higher levels of buyer activity, which boosted sales that closed in February," he said. "Higher interest rates had been tapping the breaks, notably in higher-cost housing markets since mortgage interest rates trended up last fall, but we're seeing signs of stabilization in the market now with the sales rebound. Home sales should level-out in the months ahead."

According to Freddie Mac, the national average commitment rate for a 30-year, conventional, fixed-rate mortgage was 6.25 percent in February, up from 6.15 percent in January; the rate was 5.63 percent in February 2005.

NAR President Thomas M. Stevens said comparisons with market performance over the last five years distort what people should expect from housing as an investment. "Housing is simply returning to a normal market, where annual home prices will rise a little faster than the overall rate of inflation," said Stevens. "However, in looking at total returns, you need to consider that the typical buyer is making only a modest downpayment but enjoys a return on the full value of the home, which is many times the actual cash investment. In other words, normal is pretty good for the typical homeowner, and that's what we expect for the foreseeable future."

Stevens noted that price appreciation has yet to cool significantly. "We're still seeing double-digit annual price gains, but we should get down to single-digit appreciation fairly soon," he said.

The national median existing-home price for all housing types was \$209,000 in February, up 10.6 percent from February 2005 when the median was \$189,000. The median is a typical market price where half of the homes sold for more and half sold for less.

Total housing inventory levels rose 5.2 percent at the end of February to 3.03 million existing homes available for sale, which represents a 5.3-month supply at the current sales pace – the same as in January.

Single-family home sales increased 4.7 percent to a seasonally adjusted annual rate of 6.06 million in February from 5.79 million in January, and were 0.2 percent below the 6.07 million-unit pace in February 2005. The median existing single-family home price was \$208,500 in February, up 11.6 percent from a year ago.

Existing condominium and cooperative housing sales rose 8.8 percent to a seasonally adjusted annual rate of 850,000 units in February from a level of 781,000 in

January. Last month's sales pace was 1.5 percent below the 863,000-unit pace a year ago. The median existing condo price³ was \$214,300 in February, up 3.5 percent from February 2005.

Regionally, existing-home sales in the Northeast jumped 19.2 percent to an annual sales rate of 1.18 million units in February, and were 2.6 percent higher than February 2005. The median price in the Northeast was \$263,000, which is 5.2 percent higher than a year ago.

Total existing-home sales in the Midwest rose 11.1 percent to a pace of 1.60 million in February, and were 1.9 percent above a year earlier. The median existing-home price in the Midwest was \$160,000, up 3.9 percent from February 2005

In the West, existing-home sales increased 5.1 percent to an annual pace of 1.44 million in February, but were 10.6 percent below February 2005. The median price in the West was \$306,000, up 12.1 percent from a year ago.

Existing-home sales in the South fell 2.5 percent in February to a level of 2.69 million, but were 3.1 percent higher than a year ago. The median price in the South was \$182,000, up 11.7 percent from February 2005.