

Existing-Home Sales Surge



By Harlan Green

Existing-home sales in December increased for the fifth time in the past six months, according to the National Association of Realtors. This was due both to lower mortgage rates and a further drop in prices. Existing sales, which are completed transactions that include single-family, town-homes, condominiums and co-ops, rose 12.3 percent to a seasonally adjusted annual rate of 5.28 million in December from an upwardly revised 4.70 million in November, but remain 2.9 percent below the 5.44 million sold in 2009.

NAR chief economist Lawrence Yun said sales are on an uptrend. "December was a good finish to 2010, when sales fluctuate more than normal. The pattern over the past six months is clearly showing a recovery," he said. "The recovery will likely continue as job growth gains momentum and rising rents encourage more renters into ownership while exceptional affordability conditions remain."

Besides lower home prices, record low mortgage rates continue to encourage home buyers. The 30-year conforming fixed rate is down to 4.54 percent for an approximately 1 point origination fee. The NAR's composite Affordability Index is also in record territory at 184.5 percent. This means that a household with a median income of \$61,819 could afford a home 184.5 percent higher than the median home price.

Total housing inventory at the end of December fell 4.2 percent to 3.56 million existing homes available for sale, which represents an 8.1-month supply at the current sales pace, down from a 9.5-month supply in November. The months of supply will probably increase over the next few months as sales slow a little, and inventory increases, says Calculated Risk. Inventory levels still remain high, however.

The national median existing-home price for all housing types was \$168,800 in December, which is 1.0 percent below December 2009. Distressed homes rose to a 36 percent market share in December from 33 percent in November, and 32 percent in December 2009.

"The modest rise in distressed sales, which typically are discounted 10 to 15 percent relative to traditional homes, damp-

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ened the median price in December, but the flat price trend continues," Yun explained.

A parallel NAR practitioner survey shows first-time buyers purchased 33 percent of homes in December, up from 32 percent in November, but are below a 43 percent share in December 2009.

Investors accounted for 20 percent of transactions in December, up from 19 percent in November and 15 percent in December 2009; the balance of sales were to repeat buyers. All-cash sales were at 29 percent in December, compared with 31 percent in November, but up from 22 percent a year ago. "All-cash sales have been consistently high at about 30 percent of the market over the past six months," Yun said.

Sales were led by a 16.7 percent surge in the West, followed by 13 percent in the Northeast, 11 percent in the Midwest and 10.1 percent in the South.



Harlan Green is a syndicated columnist and the owner of Bankers Pacific Mortgage, Inc. Questions and comments are welcome, please email Editor@populareconomics.com

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PROFESSIONALLY SPEAKING

A "Must Have" For Buyers



By Paul Suding
President of the Santa Barbara Association of REALTORS®

These days, particularly with so many distressed properties on the market, ordering a home inspection when you've made an offer is not only recommended, it's crucial! Otherwise, you might be relying on the seller (in some cases, a bank) or the seller's agent to provide you with a list of defects. This is a limited assessment of the overall condition of the property since none of these sources

are experts. A professional home inspector is.

An inspection provides an objective report about the home's exterior, interior, and "internal organs" - the wiring, the plumbing, the heating system, etc. And while your REALTOR® may provide a list of recommended inspectors, you are free to select any professional you wish. Since the home inspectors do not need a license to perform home inspections in California, it's best to choose a reputable and insured inspection service.

The inspection of an average home should take two to four hours to complete and once the report has been delivered to you, you can review the findings with the inspector.

Expect your home inspector to walk the roof and explore the attic and crawlspace (if present). Electrical panels, outlets and switches will be tested. Drains, water pressure, toilets and pipes will all be checked in the plumbing system. Walls, ceilings and floors will be inspected and all the doors and windows will be checked for functionality.

The number and type of items in the report will depend on the particular home's features. But the findings give you an opportunity to assess any potential repairs and most importantly, give you a more accurate picture of the home you are about to buy. To be the best buyer possible is to be an informed buyer. And a "must have" for the informed buyer is the home inspection report!

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