Gradual Rise Projected for Home Sales

by Bend Weekly News Sources

After bottoming in the fourth quarter of 2006, existing-home sales are forecast to gradually rise through 2007 and into 2008, while new-home sales should turnaround by summer, according to the latest forecast by the National Association of Realtors(R).

David Lereah, NAR's chief economist, said annual totals for existing-home sales will be fairly comparable between 2006 and 2007. "We have to keep in mind that we were still in boom conditions during the first quarter of 2006 with a high sales volume and double-digit price appreciation," he said. "We're starting 2007 from a relatively low point, so even with a gradual improvement in sales it'll be pretty much of a wash in terms of annual totals.

The good news is that the steady improvement in sales will support price appreciation moving forward."

Existing-home sales for 2006 are expected to come in at 6.50 million, the third highest on record, with a total of 6.42 million seen in 2007. New-home sales in 2006 should tally 1.06 million, the fourth highest on record, with 957,000 projected this year.

Total housing starts for 2006 are likely to be 1.81 million units, with 1.51 million forecast in 2007, which would be the lowest level in a decade. Builders are pulling back on new construction to support prices of remaining inventory.

The 30-year fixed-rate mortgage will probably rise to 6.7 percent by the fourth quarter of 2007. Last week, Freddie Mac reported the 30-year fixed rate at 6.18 percent - far below earlier consensus forecasts. "The current interest rate environment and housing inventory levels present a window of opportunity for potential buyers," Lereah said.

The national median existing-home price for all of 2006 is expected to rise 1.1 percent to $222,100, and then gain 1.5 percent this year to $225,300.

The median new-home price, after rising only 0.3 percent to $241,600 in 2006, is projected to grow 3.0 percent in 2007 to $248,900.

"With all the wild projections by academics, Wall Street analysts and others in the media, it appears that much of the housing sector is experiencing a soft landing," Lereah said. "Despite the doomsayers, household wealth will not evaporate and the economy will not go into a recession. If you're in it for the long haul, housing is a sound investment."

The unemployment rate is likely to average 4.8 percent this year, following a rate of 4.6 percent in 2006. Inflation, as measured by the Consumer Price Index, is expected to be 2.2 percent 2007, down from 3.2 percent last year, while growth in the U.S. gross domestic product is seen at 2.5 percent in 2007, compared with 3.3 percent last year. Inflation-adjusted disposable personal income should grow 3.4 percent this year, following a rise of 2.7 percent in 2006.

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