

Existing-home sales ease, supplies tighten

by Bend Weekly News Sources

Existing-home sales eased but prices stabilized as inventories tightened in December, while 2006 was the third-highest sales year on record, according to the National Association of Realtors®.

Total existing-home sales -- including single-family, townhomes, condominiums and co-ops -- eased 0.8 percent to a seasonally adjusted annual rate(1) of 6.22 million units in December from a level of 6.27 million in November. Sales were 7.9 percent lower than a 6.75 million-unit pace in December 2005.

There were 6,480,000 existing-home sales in all of 2006, down 8.4 percent from a record 7,075,000 in 2005. The second highest total was 6,779,000 in 2004; NAR began tracking home sales in 1968.

David Lereah, NAR's chief economist, said home sales remain historically high. "Despite all of the doom-and-gloom stories and dire predictions over the last year, 2006 was the third strongest year on record for existing-home sales," he said. "It looks like we're moving beyond the low for the housing cycle last fall, and buyers are responding to historically low interest rates and competitive pricing by home sellers. In addition, a tightening inventory of homes on the market is supporting prices."

Total housing inventory levels fell 7.9 percent at the end of December to 3.51 million existing homes available for sale, which represents a 6.8-month supply at the current sales pace -- down from a 7.3-month supply in November.

The national median existing-home price(2) for all housing types was \$222,000 in December, which is unchanged from December 2005. The median is a typical market price where half of the homes sold for more and half sold for less. For all of 2006, the median price was also \$222,000, up 1.1 percent from a median of \$219,600 in 2005.

According to Freddie Mac, the national average commitment rate for a 30- year, conventional, fixed-rate mortgage was 6.14 percent in December, down from 6.24 percent in November. The December rate was the lowest since October 2005 when it averaged 6.07 percent.

NAR President Pat Vredevoogd Combs, from Grand Rapids, Mich., and vice president of Coldwell Banker-AJS-Schmidt, said the market has clearly settled with some minor monthly fluctuations. "We expect home sales to rise modestly over the course of this year," said Combs. "Although local markets vary, price appreciation will be below normal in most of the country this year, but we're looking for slow, steady gains in both home sales and prices through 2008."

Single-family home sales slipped 1.3 percent to a seasonally adjusted annual rate of 5.44 million in December from 5.51 million in November, and were 7.2 percent lower than the 5.86 million-unit pace in December 2005. In all of 2006, single-family sales declined 8.1 percent to 5.68 million, the third strongest total on record.

The median existing single-family home price was \$221,600 in December, which was unchanged from a year ago. For all of 2006, the median single-family price was \$222,000, up 1.4 percent from 2005.

Existing condominium and cooperative housing sales rose 2.1 percent to a seasonally adjusted annual rate of 777,000 units in December from an upwardly revised level of 761,000 in November. Last month's sales activity was 12.2 percent lower than the 885,000-unit pace in December 2005. After setting 10 consecutive annual records, condo sales for all of 2006 fell 10.4 percent to 803,000 units, the third highest year on record.

The median existing condo price was \$227,000 in December, which was 0.3 percent above a year ago. In all of 2006, the median condo price was \$221,800, down 0.9 percent from 2005.

Regionally, existing-home sales in the Midwest rose 4.3 percent in December to a level of 1.47 million, but were 5.8 percent lower than December 2005. The median price in the Midwest was \$167,000, which is 2.9 percent below a year ago.

Existing-home sales in the South increased 0.8 percent to an annual sales rate of 2.49 million in December, but were 7.1 percent below a year ago. The median price in the South was \$182,000, unchanged from December 2005.

Existing-home sales in the Northeast declined 2.8 percent to a level of 1.04 million in December, and were 5.5 percent below December 2005. The median existing-home price in the Northeast was \$283,000, up 3.7 percent from a year earlier.

Existing-home sales in the West fell 9.1 percent to an annual pace of 1.20 million in December and were 15.5

percent lower than a year ago. The median price in the West was \$349,000, up 1.5 percent from December 2005.

The National Association of Realtors(R), "The Voice for Real Estate," is America's largest trade association, representing more than 1.3 million members involved in all aspects of the residential and commercial real estate industries.

(1) The annual rate for a particular month represents what the total number of actual sales for a year would be if the relative pace for that month were maintained for 12 consecutive months. Seasonally adjusted annual rates are used in reporting monthly data to factor out seasonal variations in resale activity. For example, home sales volume is normally higher in the summer than in the winter, primarily because of differences in the weather and family buying patterns.

Existing-home sales, which include single-family, townhomes, condominiums and co-ops, are based on transaction closings. This differs from the U.S. Census Bureau's series on new single-family home sales, which are based on contracts or the acceptance of a deposit. Because of these differences, it is not uncommon for each series to move in different directions in the same month. In addition, existing-home sales, which generally account for 85 percent of total home sales, are based on a much larger sample - nearly 40 percent of multiple listing service data each month - and typically are not subject to large prior-month revisions.

(2) The only valid comparisons for median prices are with the same period a year earlier due to the seasonality in buying patterns. Month-to-month comparisons do not compensate for seasonal changes, especially for the timing of family buying patterns.

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