Home sales likely have hit bottom

by Bend_Weekly_News_Sources

Existing-home sales in most states were down from year-ago levels in the fourth quarter of 2006, marking the likely bottom for the current housing cycle, while prices in many areas corrected as a result of sellersâ€™ willingness to negotiate, according to the latest quarterly surveys by the National Association of RealtorsÂ®.

Total existing-home sales including single-family and condo, were at a seasonally adjusted annual rate of 6.24 million units in the fourth quarter, down 10.1 percent from a 6.94 million-unit level in the fourth quarter of 2005. Even with the general decline, six states showed increases in the sales pace from a year ago and one was unchanged. Complete data for three states were not available.

In the fourth-quarter, metro area single-family home prices, examining changes in 149 metropolitan statistical areas, show 71 areas had price gains from a year earlier, including 14 metros with double-digit annual increases, and 73 areas had price declines; five were unchanged.

David Lereah, NARâ€™s chief economist, said it appears the fourth quarter was the bottom for the current housing cycle. â€œThis information confirms 2006 was the year of contraction, and hopefully the fourth quarter was the bottom of this current business cycle,â€• he said. â€œHome sales are leveling at historically high levels, and examination of data within the quarter shows home prices stabilizing toward the end. When we get the figures for this spring, I expect to see a discernable improvement in both sales and prices.â€•

The national median existing single-family home price was $219,300 in the fourth quarter, down 2.7 percent from a year earlier when the median price was $225,300. 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 rose 1.4 percent to $222,000.

A new comparison of annual single-family home prices in metropolitan areas shows that typical sellers experienced healthy gains on the value of their home over the last five years in almost all 131 available areas, even in areas with recent price declines.

NAR President Pat Vredevoogd Combs, from Grand Rapids, Mich., and vice president of Coldwell Banker-AJS-Schmidt, said a broader view of home prices is necessary because housing is a long-term investment. â€œSince the typical owner stays in a home for six years, itâ€™s more useful to look at the five-year comparison for metro area home prices â€“ most of them are seeing strong gains,â€• she said. The median five-year price gain is 41.8 percent.

Combs said thereâ€™s a lag in measuring market conditions. â€œThe fourth quarter data is showing us recent history, but right now, buyers are responding to seller pricing and incentives, and thereâ€™s a bit of a pent-up demand as a result of buyer hesitation during the second half of 2006. Weâ€™re not looking for big changes, but a gradual rise in sales and home prices is projected â€“ that will be good for the overall housing market and related industries.â€•

According to Freddie Mac, the national average commitment rate on a 30-year conventional fixed-rate mortgage was 6.25 percent in the fourth quarter, down from 6.56 percent in the third quarter; the rate was 6.22 percent in the fourth quarter of 2005.

The biggest total sales increase was in Indiana, where existing-home sales rose 13.7 percent from the fourth quarter of 2005. In Arkansas the fourth-quarter resale pace rose 11.1 percent from a year earlier, while Texas experienced the third strongest gain, up 6.2 percent.

Over the last five years, metro areas with the largest single-family price gains include the California areas of Riverside-San Bernardino-Ontario, up 155.3 percent, and Los Angeles-Long Beach-Santa Ana, up 142.3 percent, followed by the Miami-Fort Lauderdale-Miami Beach area of Florida, up 135.4 percent.

In the fourth quarter, the largest single-family home price increase was in the Atlantic City, N.J., area, where the median price of $339,800 was 25.9 percent higher than a year ago. Next was the Salt Lake City area, at $223,600, up 22.7 percent from the fourth quarter of 2005. The Trenton-Ewing area of New Jersey, with a fourth quarter median price of $289,000, increased 18.9 percent in the last year.

Median fourth-quarter metro area single-family prices ranged from a very affordable $78,400 in Elmira, N.Y., to nearly 10 times that amount in the San Jose-Sunnyvale-Santa Clara area of California where the median price was $760,000. The second most expensive area was San Francisco-Oakland-Fremont, at $733,400, followed by the Anaheim-Santa Ana-Irvine area (Orange Co., Calif.), at $690,700.

In addition to Elmira, N.Y., other affordable markets include the Youngstown-Warren-Boardman area of Ohio and Pennsylvania, with a fourth-quarter median price of $80,000, and Decatur, Ill., at $89,200.

In the condo sector, metro area condominium and cooperative prices â€“ covering changes in 58 markets â€“ show the national median existing condo price was $220,900 in the fourth quarter, down 2.1 percent from the same period in 2005. Thirty-one metros showed annual increases in the median condo price, including seven areas with double-digit gains; 27 metros had price declines.

The strongest condo price gains were in the Austin-Round Rock area of Texas, where the fourth quarter price

of $160,000 rose 16.5 percent from a year ago, followed by the Newark-Union area of New Jersey and Pennsylvania, where the median condo price of $352,600 rose 16.4 percent from the fourth quarter of 2005, and Springfield, Mass., at $160,400, an increase of 14.6 percent.

Metro area median existing condo prices in the fourth quarter ranged from $102,600 in Wichita, Kan., to $580,300 in the San Francisco-Oakland-Fremont area. The second most expensive reported condo market was Los Angeles-Long Beach-Santa Ana, at $402,000, followed by the San Diego-Carlsbad-San Marcos area of California at $358,200.

Other affordable condo markets include Bismarck, N.D., at $103,500, and Greensboro-High Point, N.C., at $119,100.

Regionally, the Northeast saw an existing-home sales pace of 1.04 million units in the fourth quarter, which was 6.6 percent below a year ago. The median Northeastern resale single-family home price was $274,600 in the fourth quarter, which is 2.5 percent below the same period in 2005.

After the Atlantic City and Trenton-Ewing areas, the strongest price increase in the Northeast was in Pittsfield, Mass., with a median price of $220,600, up 4.7 percent from the fourth quarter of last year, followed by the Albany-Schenectady-Troy area of New York with a median price of $198,700, up 4.1 percent.

Total existing-home sales in the South were at an annual rate of 2.49 million units in the fourth quarter, down 8.5 percent from the fourth quarter of 2005. After the gains in Arkansas and Texas, the next strongest increase in the South was in Kentucky, up 5.6 percent from a year ago, while Mississippi rose 2.0 percent.

The median existing single-family home price in the South was $181,700 in the fourth quarter, which is 3.7 percent below a year earlier. The strongest increase in the South was in the Beaumont-Port Arthur area of Texas, where the median price of $120,000 was 15.1 percent above the fourth quarter of 2005. Next was Raleigh-Cary, N.C., at $226,300, up 14.5 percent from a year ago, followed by the Cumberland area of Maryland and West Virginia, with a 14.4 percent gain to $98,000.

In the Midwest, total existing-home sales declined 8.6 percent to a 1.43 million-unit annual level in the fourth quarter compared with a year earlier. The median existing single-family home price in the Midwest was $161,800, down 4.2 percent from the fourth quarter of 2005.

The strongest metro price increase in the Midwest was in the Davenport-Moline-Rock Island area of Iowa and Illinois, where the median price of $116,400 was 6.6 percent higher than a year ago. Next was Dayton, Ohio, at $119,500, up 5.9 percent from the fourth quarter of 2005, and Rockford, Ill., at $121,500, up 5.7

percent in the last year.

In the West, the existing-home sales pace of 1.28 million units was 17.8 percent lower than the fourth quarter of 2005. The best performance in the region was in Alaska where existing-home sales rose 0.4 percent from a year earlier.

The median existing single-family home price in the West increased 0.4 percent to $355,100 during the fourth quarter. After Salt Lake City, the strongest increase in the West was in the Salem, Ore., area, at $223,100, up 14.9 percent from fourth quarter of 2005, followed by Farmington, N.M., at $183,000, up 14.0 percent, and Spokane, Wash., at $189,200, up 12.2 percent from a year ago.

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