

## Existing-Home Sales Rise Again in February

by Bend\_Weekly\_News\_Sources

WASHINGTON - Existing-home sales rose strongly in February following a healthy gain in January, reaching the highest level since last April, according to the National Association of Realtors.

Total existing-home sales -- including single-family, townhomes, condominiums and co-ops -- rose 3.9 percent to a seasonally adjusted annual rate(1) of 6.69 million units in February from a downwardly revised level of 6.44 million in January, but are 3.6 percent below the 6.94 million-unit pace in February 2006. Last month's increase was the biggest monthly rise in three years -- sales also rose 3.9 percent in March 2004.

David Lereah, NAR's chief economist, said the strong gain is a bit of a surprise. "Some of the rise in home sales may be from mild weather that brought out shoppers in December, but fundamentals have improved in the housing market and buyers see a window now with historically-low mortgage interest rates and competitive pricing by sellers," he said. "Even so, winter storms last month discouraged shopping, and buyers were chilled with the third coldest February on record. These unusual weather patterns mean home sales that close in March may decline before rebounding later this spring."

According to Freddie Mac, the national average commitment rate for a 30- year, conventional, fixed-rate mortgage was 6.16 percent in the last week, down from an average of 6.29 percent in February. The 30-year fixed was 6.22 percent in January, and 6.25 percent in February 2006.

The national median existing-home price(2) for all housing types was \$212,800 in February, down 1.3 percent from February 2006 when the median was \$215,700. The median is a typical market price where half of the homes sold for more and half sold for less.

NAR President Pat Vredevogd Combs, from Grand Rapids, Mich., and vice president of Coldwell Banker-AJS-Schmidt, said the median home price currently is distorted. "Over the last year, we've seen declining sales in many high- cost areas but rising activity in lower cost markets," she said. "This change in the geographic composition of sales means we aren't getting apples-to- apples comparisons in median home prices from a year ago."

Other indices examining sales of the same properties over time, such as the OFHEO House Price Index, have been showing price gains; however, the OFHEO index is limited to conventional financing.

"What's really happening is probably somewhere in between the different measures, but home prices are soft - a year ago we were still seeing bidding pressures and double-digit price growth," Combs said. "Overall, home prices should rise slowly this year, and many buyers have an opportunity now that was only a dream during the five-year boom."

Total housing inventory levels rose 5.9 percent at the end of February to 3.75 million existing homes available for sale, which represents a 6.7-month supply at the current sales pace compared with a 6.6-month supply in January. Raw inventories peaked last July at 3.86 million, and supplies topped at 7.4 months in October.

Single-family home sales increased 3.7 percent to a seasonally adjusted annual rate of 5.88 million in February from 5.67 million in January, but are 3.4 percent below the 6.09 million-unit pace in February 2006. The median

existing single-family home price was \$211,100 in February, down 1.5 percent from a year ago.

Existing condominium and co-op sales jumped 5.3 percent to a seasonally adjusted annual rate of 810,000 units in February from a level of 769,000 in January, but are 5.2 percent below the 854,000-unit pace in February 2006. The median existing condo price(3) was \$225,400 in February, up 0.5 percent from a year earlier.

Regionally, existing-home sales in the Northeast surged 14.2 percent to a level of 1.21 million in February,

and are 3.4 percent higher than February 2006. The median existing-home price in the Northeast was \$265,900, down 1.4 percent from a year earlier.

In the Midwest, existing-home sales rose 3.9 percent in February to a level of 1.58 million, but are 1.9 percent below a year ago. The median price in the Midwest was \$157,000, down 1.3 percent from February 2006.

Existing-home sales in the South increased 1.6 percent to an annual sales rate of 2.58 million in February, but are 4.4 percent below February 2006. The median price in the South was \$175,900, down 2.9 percent from a year ago.

Existing-home sales in the West were unchanged in February, holding at an annual pace of 1.32 million, and are 9.6 percent lower than a year ago. The median price in the West was \$337,100, up 2.2 percent from February 2006. 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. However, seasonal factors cannot compensate for abnormal weather 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. Changes in the geographic composition of sales can distort median price data.

3) Because there is a concentration of condos in high-cost metro areas, the national median condo price can be higher than the median single-family price. In a given market area, condos typically cost less than single-family homes.

Existing-home sales for March will be released April 24. The next Pending Home Sales Index will be on April 3 and the forecast will be revised April 11.

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