Existing home sales plunge 8.4%

by Bend_Weekly_News_Sources

Unusually bad winter weather in February curtailed home shopping, slowing sales that closed in March, which may have been dampened further by a decrease in subprime lending volume, according to the National Association of Realtors.

After rising for three consecutive months, total existing-home sales -- including single-family, townhomes, condominiums and co-ops -- fell 8.4 percent to a seasonally adjusted annual rate(1) of 6.12 million units in March from a pace of 6.68 million in February, and are 11.3 percent below the 6.90 million-unit level in March 2006.

David Lereah, NAR's chief economist, expected the drop. "For the last couple months we've been expecting a weather 'hit' on home sales finalized in March, but looking at overall activity in the first quarter we see that existing home sales averaged 6.41 million -- a figure that is moderately higher than the sales pace during the second half of 2006," he said. "We also may be seeing some losses as a result of the subprime fallout. However, this is masking improved fundamentals in the housing market, with lower mortgage interest rates and motivated sellers.

"It's too early to measure a significant impact from tighter lending standards, which should moderately dampen activity, but we're still looking for existing-home sales to gradually improve during the last half of 2007," Lereah said.

According to Freddie Mac, the national average commitment rate for a 30-year, conventional, fixed-rate mortgage was 6.16 percent in March, down from 6.29 percent in February; the rate was 6.32 percent in March 2006.

The national median existing-home price(2) for all housing types was $217,000 in March, which is 0.3 percent below March 2006 when the median was $217,600. The median is a typical market price where half of the homes sold for more and half sold for less. However, the percentage change in recent months has been distorted by a geographic shift in the composition of sales from high-cost markets to moderately priced areas, in contrast with the sales distribution a year earlier.

NAR President Pat Vredevoogd Combs, from Grand Rapids, Mich., and vice president of Coldwell Banker-AJS-Schmidt, said market conditions are clearly favoring buyers. "It's a good time to buy, in part, because home buyers are not pressured to make quick decisions," Combs said. "We're in a window of low interest rates with a plentiful supply homes on the market and flat prices in most areas. First-time buyers now have more power to negotiate with sellers for help on downpayment or closing costs."

Total housing inventory levels fell 1.6 percent at the end of March to 3.75 million existing homes available for sale, which represents a 7.3-month supply at the current sales pace, up from a 6.8-month supply in February.

Single-family home sales dropped 9.5 percent to a seasonally adjusted annual rate of 5.32 million in March from 5.88 million in February, and are 11.9 percent lower than the 6.04 million-unit level in March 2006. The median existing single-family home price was $215,300 in March, down 0.9 percent from a year earlier.

Existing condominium and co-op sales were unchanged at a seasonally adjusted annual rate of 800,000 units in March, the same as in February, and are 6.7 percent below the 857,000-unit level in March 2006. The median existing condo price(3) was $228,200 in March, up 3.2 percent from a year ago.

Regionally, existing-home sales in the South declined 6.2 percent to an annual sales rate of 2.41 million in March, and are 9.7 percent below March 2006. The median price in the South was $180,700, up 0.4 percent from a year ago.

Existing-home sales in the Northeast fell 8.2 percent to a level of 1.12 million in March, and are 5.1 percent lower than a year earlier. The median existing-home price in the Northeast was $268,600, which is 0.7 percent lower than March 2006.

Existing-home sales in the West fell 9.1 percent in March to an annual pace of 1.20 million, and are 16.7 percent lower than March 2006. The median price in the West was $330,600, down 2.9 percent from a year ago.

In the Midwest, existing-home sales dropped 10.9 percent in March to a level of 1.39 million, and are 13.7 percent lower than a year ago. The median price in the Midwest was $160,400, down 0.2 percent from March 2006.

(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.

Year-ago median and mean prices sometimes are revised in an automated process if more data is received than was originally reported.

(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.

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