

May existing-home sales show market is underperforming

by Bend_Weekly_News_Sources

Existing-home sales were essentially unchanged in May, according to the National Association of Realtors.

Total existing-home sales -- including single-family, townhomes, condominiums and co-ops -- eased by 0.3 percent to a seasonally adjusted annual rate(1) of 5.99 million units in May from an upwardly revised pace of 6.01 million in April, and are 10.3 percent below the 6.68 million-unit level in May 2006.

Lawrence Yun, NAR senior economist, said the market softness is understandable. "I think psychological factors are currently the biggest drag on the housing market, in addition to a disruption from tighter credit for subprime borrowers," he said. "Household formation has slowed dramatically since late 2006, implying that many people are doubling-up -- they're adding roommates or moving in with parents.

"The market is underperforming when you consider positive fundamentals such as the strength in job creation, economic growth, favorable mortgage interest rates and flat home prices. It appears some buyers are simply waiting for more signs of stability before they get serious about getting into the market."

The national median existing-home price(2) for all housing types was \$223,700 in May, which is 2.1 percent below May 2006 when the median was \$228,500. The median is a typical market price where half of the homes sold for more and half sold for less, but there is a temporary downward distortion in the current national comparison because sales have shifted away from many high-cost markets in the past year.

According to Freddie Mac, the national average commitment rate for a 30-year, conventional, fixed-rate mortgage was 6.26 percent in May, up from 6.18 percent in April; the rate was 6.60 percent in May 2006.

NAR President Pat V. Combs, from Grand Rapids, Mich., and vice president of Coldwell Banker-AJS-Schmidt, said higher inventories are helping to offset an affordability impact from higher mortgage interest rates. "Although mortgage interest rates are trending up, they are historically favorable," she said. "The good news is buyers have more negotiating power with a fairly large supply of homes available in much of the country. Buyers who've been on the sidelines may want to take a closer look at current conditions in their area -- if they wait for sales to rise, their choices and negotiating position won't be as good as they are now."

Total housing inventory rose 5.0 percent at the end of May to 4.43 million existing homes available for sale, which represents an 8.9-month supply at the current sales pace, up from an 8.4-month supply in April.

Single-family home sales slipped 0.8 percent to a seasonally adjusted annual rate of 5.20 million in May from an upwardly revised 5.24 million in April, and are 10.8 percent lower than a 5.83 million-unit pace a year ago. The median existing single-family home price was \$223,000 in May, which is 2.4 percent lower than May 2006.

Existing condominium and co-op sales rose 2.6 percent to a seasonally adjusted annual rate of 790,000 units in May from 770,000 in April, but are 6.7 percent below the 847,000-unit level in May 2006. The median existing condo price(3) was \$228,200 in May, down 0.4 percent from a year ago.

Regionally, existing-home sales in the Northeast rose 5.8 percent to a level of 1.10 million in May, but are 3.5 percent lower than May 2006. The median existing-home price in the Northeast was \$282,700, which is 0.5 percent higher than a year ago.

Existing-home sales in the Midwest rose 0.7 percent in May to a level of 1.41 million, but are 6.6 percent below a year ago. The median price in the Midwest was \$168,800, which is 1.7 percent below May 2006.

Existing-home sales in the West slipped 0.8 percent in May to an annual pace of 1.18 million, and are 16.3 percent below May 2006. The median price in the West was \$341,900, which is 0.5 percent lower than a year ago.

Existing-home sales in the South fell 3.4 percent to an annual sales rate of 2.30 million in May, and are 11.9 percent below a year ago. The median price in the South was \$184,000, down 3.8 percent from May 2006.

The National Association of Realtors, "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.

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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