



# Popular Economics

*Promoting the Popular Understanding of Economics*

## **The Mortgage Corner**

### **Existing-Home Sales at 8-yr Low**

Total existing-home sales – including single-family, townhomes, condominiums and co-ops – fell 8.0 percent to a seasonally adjusted annual rate<sup>1</sup> of 5.04 million units in September from a downwardly revised pace of 5.48 million in August, and are 19.1 percent below the 6.23 million-unit level in September 2006.

The third quarter finished better than expected, with a 5.42 million annual rate of existing-home sales versus the 5.38 million forecast by NAR.

Lawrence Yun, NAR senior economist, said the decline is understandable. “Mortgage problems were peaking back in August when many of the September closings were being negotiated, and that slowed sales notably in higher priced areas that rely more on jumbo loans,” he said. “The good news is that mortgage availability has markedly improved in recent weeks with interest rates on jumbo loans falling, and more people are applying for safer and conforming FHA mortgage products. Some of the cancelled transactions will move forward as buyers apply for other loans.”

The national median existing-home price for all housing types was \$211,700 in September, down 4.2 percent from September 2006 when the median was \$220,900; this follows three months of stability in comparing with year-ago prices. The median is a typical market price where half of the homes sold for more and half sold for less.

“Because there were fewer transactions at the upper end of the market, there is a downward distortion reflected in a lower national median home price. Home prices continue to trend up in the Northeast and in the condo sector. In other areas not dependent on jumbo loans, such as much of the Midwest, prices are rising.”

Total housing inventory inched up 0.4 percent at the end of September to 4.40 million existing homes available for sale, which represents a 10.5-month supply at the current sales pace, up from a downwardly revised 9.6-month supply in August. “It appears raw inventories are stabilizing, but the housing supply is a bit inflated now because the sales pace does not reflect underlying market conditions – sales were dampened by the mortgage cancellations,” Yun explained. “Once the pent-up demand begins to move, we’ll see housing supplies begin to ease and then prices will edge up.”

According to Freddie Mac, the national average commitment rate for a 30-year, conventional, fixed-rate mortgage fell to 6.38 percent in September from 6.57 percent in August; the rate was 6.40 percent in September 2006.

Single-family home sales dropped 8.6 percent to a seasonally adjusted annual rate of 4.38 million in September from a pace of 4.79 million in August, and are 19.8 percent below 5.46 million-unit pace in September 2006. The median existing single-family home price was \$210,200 in September, down 4.9 percent from a year ago.

Sales of existing homes fell in all four regions, dropping 10 percent in the Northeast, 9.9 percent in the West, 7 percent in the Midwest and 6 percent in the South. Nationwide, sales of existing homes were down 19.1 percent in September compared with September 2006. Condo sales fell 4.3 percent to a seasonally adjusted annual rate of 660,000. The median price of a condo rose 1.4 percent in the past year to \$221,700.

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