

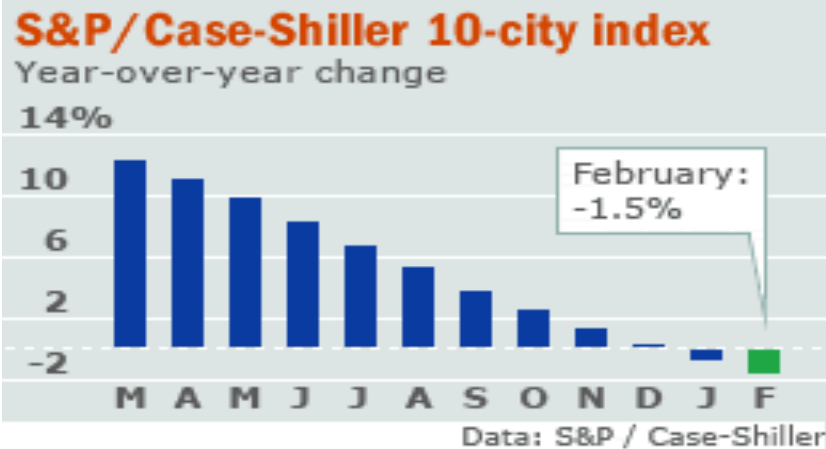
The Mortgage Corner  
**Existing-Home Sales Plunge**

The National Association of Realtors reported sales of existing homes plunged at the fastest rate in 18 years in March, sinking 8.4% to a four-year low of 6.12 million annual units.

NAR’s chief economist David Lereah said he 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.

Meanwhile, U.S. home prices continued to fall in February, with prices down 1.5% in 10 major cities compared with a year ago, according to the S&P/Case-Shiller home price index released Tuesday. Home prices depreciated year-over-year for the second straight month, falling at the fastest pace since late 1993.



A year ago, prices were rising 14%.

Falling home prices will exacerbate credit problems, because many borrowers will not be able to refinance their loan or sell their house because they owe more than it's worth. The 10-city Case-Shiller index turned negative in mid-1990 and remained negative for much of the next three years. Prices did not return to the peak seen in October 1989 until January 1998.

The Case-Shiller index is considered to be a superior gauge of home prices compared with the median sales-price data released by the Commerce Department or National Association of Realtors, because it tracks multiple sales on the same property and is therefore not influenced by a different mix of homes sold in a period.

The national median existing-home price for all housing types was \$217,000 in March, according to the NAR report, which is 0.3 percent below March 2006 when the median was \$217,600. 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 Vredevogd Combs 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, but that represented a 7.3-month supply at the current slower 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<sup>3</sup> was \$228,200 in March, up 3.2 percent from a year ago.

Regionally, existing-home sales fell in all parts of the country. 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. 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.

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, while 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.

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