



The Mortgage Corner

June Home Sales Not Bottoming

Sales of existing homes fell in June with some potential buyers staying on the sidelines, but prices rose modestly as inventories eased, according to the National Association of Realtors.

Total existing sales, including single-family, townhomes, condominiums and co-ops – declined 3.8 percent to a seasonally adjusted annual rate¹ of 5.75 million units in June from a downwardly revised level of 5.98 million in May, and are 11.4 percent below June 2006.

Lawrence Yun, NAR senior economist, said some consumers are uncertain. “Home buyers have been getting mixed signals about the housing market, which is causing some of them to hesitate,” he said. “Mortgage interest rates have risen recently, and tightening lending standards are continuing to hamper sales, but fewer risky loans will put the market on a healthier path. Although general buying conditions remain favorable for long-term home buyers, it appears some buyers are looking for more signs of stability before they have enough confidence to make an offer.”

Total housing inventory fell 4.2 percent at the end of June to 4.20 million existing homes available for sale, which represents an 8.8-month supply at the current sales pace, the same as a downwardly revised 8.8-month supply in May. This could also be a sign that more sellers are taking their homes off the markets because they cannot get their price.

The national median existing-home price for all housing types was \$230,100

In June, up 0.3 percent from June 2006 when the median was \$229,300. The median is a typical market price where half of the homes sold for more and half sold for less.

“Two bright spots in the June report are a decline in housing inventory and a modest gain in home prices,” Yun said. “Although we’ve seen seasonal month-to-month price increases over the past four months, this is the first time in 11 months that the median home price is higher than the year-ago price.”

But Moody’s economist Mark Zandi said the higher median price was deceptive, since fewer homes below the median price are being sold because of the subprime “debacle”. “Many subprime borrowers are simply not able to qualify for the lower-priced homes, with the newer qualification standards. This means higher priced home sales are skewing the median price,” said Zandi on CNBC.

According to Freddie Mac, the national average commitment rate for a 30-year, conventional, fixed-rate mortgage was 6.66 percent in June, up from 6.26 percent in May; the rate was 6.68 percent in June 2006.

Single-family home sales fell 3.5 percent to a seasonally adjusted annual rate of 5.01 million in June from a downwardly revised 5.19 million in May, and are 12.1 percent below the 5.70 million-unit level in June 2006. The median existing single-family home price was \$230,300 in June, up 0.1 percent from a year ago.

Existing condominium and co-op sales dropped 6.3 percent to a seasonally adjusted annual rate of 740,000 units in June from 790,000 in May, and are 6.6 percent lower than the 792,000-unit pace a year ago. The median existing condo price³ was \$228,900 in June, up 2.6 percent from June 2006.

NAR President Pat V. Combs said that local market conditions vary widely. “Consumers should avoid making decisions based on what they hear about the national market because all real estate is local,” she said.

Regionally, existing-home sales in the South eased by 1.7 percent to an annual sales rate of 2.26 million

in June, and are 11.4 percent below a year ago. The median price in the South was \$190,800, up 0.7 percent from June 2006.

Existing-home sales in the Midwest declined 2.8 percent in June to a level of 1.37 million, and are 8.1 percent below June 2006. The median price in the Midwest was \$171,700, which is 1.5 percent below a year ago.

Existing-home sales in the West dropped 6.8 percent in June to an annual pace of 1.10 million, and are 19.1 percent below a year ago. The median price in the West was \$340,000, down 0.4 percent from June 2006.

Existing-home sales in the Northeast fell 7.3 percent to a level of 1.01 million in June, and are 7.3 percent lower than June 2006. The median existing-home price in the Northeast was \$294,400, up 1.8 percent from a year ago.

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