

## **NAR: August Existing-Home Sales Slide**

Existing-home sales were down in August following a healthy gain in July as tight mortgage credit curtailed activity, according to the NATIONAL ASSOCIATION OF REALTORS®. Sales rose in the Midwest and South, but fell in the Northeast and West.

Nationally, existing-home sales — including single-family, townhomes, condominiums and co-ops — declined 2.2 percent to a seasonally adjusted annual rate of 4.91 million units in August from an upwardly revised pace of 5.02 million in July, but are 10.7 percent below the 5.50 million-unit pace in August 2007.

NAR President Richard F. Gaylord notes the pendulum in the mortgage market has swung too far. “The difficulty in obtaining a mortgage increased over past couple months, making it more challenging for creditworthy borrowers to find financing,” he says. “Our hope is that overly tight lending criteria can be loosened with reasonable standards and credit so that sales activity can catch up with demand.

“Interest rates have already declined, but there is a serious question as to whether a cash infusion by the U.S. Treasury into Wall Street would help consumers by improving mortgage funding,” says Gaylord.

According to Freddie Mac, the national average commitment rate for a 30-year, conventional, fixed-rate mortgage rose to 6.48 percent in August from 6.43 percent in July; the rate was 6.57 percent in August 2007. However, last week the 30-year fixed had dropped to 5.78 percent.

Lawrence Yun, NAR chief economist, says the recent drop in interest rates is an immediate impact of recent government action. “August sales reflect higher interest rates before the government takeover of Freddie Mac and Fannie Mae, and the sudden drop in mortgage interest rates over the past couple weeks is improving housing affordability,” he says. “With higher loan limits and a beefing up of the FHA program, all the mechanisms have been falling into place to increase mortgage availability.

“However, home sales will be constrained without a freer flow of credit into the mortgage market. The faster that happens, the sooner we’ll see a broad stabilization in home prices that in turn will help the economy recover,” Yun says. “Historically, housing has led the nation out of economic doldrums. There will not be an economic recovery without a housing recovery.”

### **Median Price Drops**

The national median existing-home price for all housing types was \$203,100 in August, down 9.5 percent from a year ago when the median was \$224,400.

“The median home price reflects more transactions related to subprime loans,” Yun adds. “Fewer than 10 percent of home owners have subprime loans, but these mortgages are accounting for a disproportionately high share of sales in the current market. On the other hand, areas that have had sharp price cuts are seeing a turnaround in sales, which are rising very fast now in parts of California, Florida and Nevada.”

Total housing inventory at the end of August fell 7.0 percent to 4.26 million existing homes available for sale, which represents a 10.4-month supply at the current sales pace, down from a revised 10.9-month supply in July.

Single-family home sales slipped 1.4 percent to a seasonally adjusted annual rate of 4.35 million in August from an upwardly revised pace of 4.41 million in July, but are 9.6 percent below the 4.81 million-unit level a year ago.

The median existing single-family home price was \$201,900 in August, down 9.7 percent from August 2007.

Existing condominium and co-op sales dropped 8.2 percent to a seasonally adjusted annual rate of 560,000 units in August from an upwardly revised level of 610,000 in July, and are 19.0 percent below the 691,000-unit pace in August 2007. The median existing condo price was \$212,600 in August, which is 7.2 percent below a year ago.

### Regional Results

- **Midwest** Regionally, existing-home sales in the Midwest rose 0.9 percent in August to a pace of 1.14 million but are 12.3 percent below August 2007. The median price in the Midwest was \$168,000, down 5.6 percent from a year ago.
- **South** In the South, existing-home sales increased 0.5 percent to an annual pace of 1.86 million in August, but are 15.1 percent below a year ago. The median price in the South was \$176,500, which is 3.4 percent lower than August 2007.
- **West** Existing-home sales in the West fell 5.3 percent to an annual rate of 1.07 million in August, but are 4.9 percent higher than August 2007. The median price in the West was \$251,600, down 23.9 percent from a year ago. "The highest concentration of foreclosures is in the West, which is weighing down the median price because many buyers are taking advantage of deeply discounted prices," Yun said.
- **Northeast** In the Northeast, existing-home sales dropped 6.6 percent to an annual pace of 850,000 in August, and are 15.0 percent below a year ago. The median price in the Northeast was \$271,000, down 3.8 percent from August 2007.

—NAR