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Mortgage Availability Improving But Hampered September Existing-Home Sales

WASHINGTON, October 24, 2007 - Temporary problems in the mortgage market are easing and are expected to free some pent-up demand, but disrupted existing-home sales and distorted prices on sales closed in September, according to the National Association of Realtors®. Even so, prices rose in the Northeast and Midwest.

Total existing-home sales – including single-family, townhomes, condominiums and co-ops – fell 8.0 percent to a seasonally adjusted annual rate¹ 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 price² 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 supply³ 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.”

NAR President Pat V. Combs, from Grand Rapids, Mich., and vice president of Coldwell Banker-AJS-Schmidt, said housing remains a good long-term investment. "Because local conditions vary widely, it's important for consumers to understand the fundamentals of what's going on in their area. To sort through the factors in a particular neighborhood, both buyers and sellers should consult with a Realtor® to help them navigate the current local market."

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.

Existing condominium and co-op sales fell 4.3 percent to a seasonally adjusted annual rate of 660,000 units in September from 690,000 in August, and are 14.7 percent below the 774,000-unit level in September 2006. The median existing condo price⁴ was \$221,700 in September, up 1.4 percent from a year ago.

Regionally, existing-home sales in the South declined 6.0 percent in September to an annual pace of 2.05 million, and are 18.7 percent below a year ago. The median price in the South was \$174,400, down 5.5 percent from September 2006.

In the Midwest, existing-home sales dropped 7.0 percent to an annual rate of 1.19 million in September, and are 16.2 percent below September 2006. The median price in the Midwest was \$170,700, up 1.4 percent from a year ago.

Existing-home sales in the West fell 9.9 percent in September to a level of 910,000, and are 27.8 percent below a year ago. The median price in the West was \$308,900, which is 8.8 percent lower than September 2006.

In the Northeast, existing home sales dropped 10.0 percent to a pace of 900,000, and are 13.5 percent lower than September 2006. The median price in the Northeast was \$261,700, up 0.5 percent from a year ago.

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.

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¹The 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.

2The 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 Total inventory and month's supply data are available back through 1999, while single-family inventory and month's supply are available back to 1982. Comparisons of current total month's supply with single-family data prior to 1999 are broadly valid because single-family homes accounted for more than nine out of 10 purchases in the earlier timeframe (e.g., condos were 9.5 percent of transactions in 1998, 8.5 percent in 1990 and only 6.1 percent in 1982).

4Because 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.