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Existing-Homes Sales Slip in January as Some Potential Buyers Wait on Sidelines

WASHINGTON, February 25, 2008 - Existing-home sales – including single-family, townhomes, condominiums and co-ops – slipped 0.4 percent to a seasonally adjusted annual rate(1) of 4.89 million units in January from an upwardly revised level of 4.91 million in December, and are 23.4 percent below the 6.44 million-unit pace in January 2007.

Lawrence Yun, NAR chief economist, said many potential buyers remain on the sidelines. “Subprime loans and other risky mortgage products have virtually disappeared from the marketplace, and over the past five months, this has been reflected in soft but fairly stable home sales,” he said. “As the increased limits for FHA and conventional loans are implemented, more buyers will have access to safer FHA loans and lower interest rate loans in high-cost areas, which could lead to steadily higher home sales later in the year.”

According to Freddie Mac, the national average commitment rate for a 30-year, conventional, fixed-rate mortgage fell to 5.76 percent in January from 6.10 percent in December; the rate was 6.22 percent in January 2007. Last week, Freddie Mac reported the 30-year fixed rate rose to 6.04 percent.

The national median existing-home price(2) for all housing types was \$201,100 in January, down 4.6 percent from a year ago when the median was \$210,900. Because the slowdown in sales is greater in high-cost markets, there is a downward pull to the national median from a year ago when there were relatively more sales in higher priced areas.

Price changes within metropolitan areas are more meaningful for consumers. The latest data shows roughly half of the metro areas in the U.S. with price gains, with healthy increases in markets such as Buffalo, Peoria and Amarillo. “Some markets like Barnstable, Mass., which had been weakening in the past year, may have turned the corner,” Yun said.

NAR President Richard Gaylord, a broker with RE/MAX Real Estate Specialists in Long Beach, Calif., said some buyers in high-cost are waiting for higher limits on conventional loans. “Keep in mind the biggest

slowdown in home sales last year was in high-cost markets, which were hard-hit by the credit crunch and notably higher interest rates for jumbo loans, but relief is on the way," he said.

"Once buyers have greater access to higher loan limits, it will take a few months for increased shopping activity to translate into higher sales," Gaylord said. "We should see some movement of pent-up demand by this summer, but higher loan limits need to be implemented fully and promptly to have maximum benefit."

Total housing inventory rose 5.5 percent at the end of January to 4.19 million existing homes available for sale, which represents a 10.3-month supply(3) at the current sales pace, up from a 9.7-month supply in December.

Single-family home sales rose 0.5 percent to a seasonally adjusted annual rate of 4.34 million in January from 4.32 million in December, and are 22.4 percent below 5.59 million-unit pace in January 2007. The median existing single-family home price was \$198,700 in January, down 5.1 percent from a year ago.

Existing condominium and co-op sales fell 6.5 percent to a seasonally adjusted annual rate of 550,000 units in January from 588,000 in December, and are 30.2 percent below the 788,000-unit level a year ago. The median existing condo price(4) was \$220,400 in January, which is 1.0 percent lower than January 2007.

Regionally, existing-home sales in the Midwest rose 3.4 percent to an annual pace of 1.20 million in January, but are 20.0 percent below January 2007. The median price in the Midwest was \$154,200, down 4.0 percent from a year ago.

Existing-home sales in the South slipped 0.5 percent in January 2007 to a level of 1.95 million and are 22.0 percent below a year ago. The median price in the South was \$164,300, which is 5.9 percent lower than January 2007.

In the West, existing-home sales declined 2.1 percent to an annual rate of 930,000 in January and are 28.5 percent below January 2007. The median price in the West was \$300,100, down 6.7 percent from a year ago.

Existing-home sales in the Northeast fell 3.6 percent to an annual rate of 810,000 in January, and are 25.7 percent below a year ago. The median price in the Northeast was \$270,800, up 3.1 percent from January 2007.

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(1) The 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.

Each February, NAR Research incorporates a review of seasonal activity factors and fine-tunes historic data for the previous three years based on the most recent findings. Revisions have been made to monthly seasonally adjusted annual sales rates for 2005 through 2007, as well as the inventory month's supply data.

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.

(2) The 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. Condos were tracked quarterly prior to 1999 when single-family homes accounted for more than nine out of 10 purchases (e.g., condos were 9.5 percent of transactions in 1998, 8.5 percent in 1990 and only 6.1 percent in 1982).

(4) Because 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.

Existing-home sales for February will be released March 24. The next Forecast / Pending Home Sales Index is scheduled for March 6.

Information about NAR is available at www.realtor.org. This and other news releases are posted in the News Media section. Statistical data in this release, other tables and surveys also may be found by clicking on Research.