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## Existing-Home Sales Slip in March

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Existing-home sales edged down in March, remaining within a narrow range of sales activity that has persisted since last September, according to the National Association of Realtors®.

Existing-home sales – including single-family, townhomes, condominiums and co-ops – were down 2.0 percent to a seasonally adjusted annual rate (1) of 4.93 million units in March from a level of 5.03 million in February, and remain 19.3 percent below the 6.11 million-unit pace in March 2007. A rise in condo sales in March was offset by a drop in single-family sales. Regionally, sales rose in the Northeast and West but fell in the Midwest and South.

Lawrence Yun, NAR chief economist, said the market is performing unevenly. “Though mortgage rates are at historically low levels, some borrowers are facing restrictive lending practices in declining markets,” he said. “At the same time, many buyers continue to bide their time with a large number of homes to choose from, while other potential buyers remain on the sidelines.”

The national median existing-home price (2) for all housing types was \$200,700 in March, down 7.7 percent from a year ago when the median was \$217,400. Because the slowdown in sales from a year ago is greater in high-cost areas, there is a downward pull to the national median with relatively higher sales activity in low-cost markets.

A mix of market conditions continues around the country, but areas showing healthy price gains include Des Moines, Iowa; Austin, Texas; and Durham, N.C.

According to Freddie Mac, the national average commitment rate for a 30-year, conventional, fixed-rate mortgage rose to 5.97 percent in March from 5.92 percent in February; the rate was 6.16 percent in March 2007.

NAR President Richard F. Gaylord, a broker with RE/MAX Real Estate Specialists in Long Beach, Calif., said there are problems with the implementation of mortgage guidelines. "It appears there is some over-reaction on the part of some lenders now in requiring higher downpayment percentages than may be necessary," he said. "On the other hand, buyers in many parts of the country are able to take advantage of more lenient policies for FHA loans. However, because lenders don't have enough underwriting experience with FHA loans in high-cost areas, there are localized bottlenecks in loan processing. Consumers should consult with a Realtor® in their area to learn about the kind of financing that may be available to meet their needs."

Yun offered a caution. "With elevated inflation, the Federal Reserve should be extra careful about further rate cuts," he said. "Mortgage interest rates, which do not move directly with Fed funds rates, may rise measurably and hurt the housing recovery if inflation gets out of hand. Monetary stimulus is plentiful – what is needed more at this point is a home buyer tax credit to get buyers off the sidelines and prevent the market from overshooting on the downside."

Total housing inventory rose 1.0 percent at the end of March percent to 4.06 million existing homes available for sale, which represents a 9.9-month supply (3) at the current sales pace, up from a 9.6-month supply in February.

Single-family home sales fell 2.7 percent to a seasonally adjusted annual rate of 4.35 million in March from 4.47 million in February, and are 18.4 percent below the 5.33 million-unit pace in March 2007. The median existing single-family home price was \$198,200 in March, down 8.3 percent from a year ago.

Existing condominium and co-op sales rose 3.6 percent to a seasonally adjusted annual rate of 580,000 units in March from 560,000 in February, but are 25.5 percent below the 779,000-unit level a year ago. The median existing condo price (4) was \$219,400 in March, which is 2.8 percent lower than March 2007.

Regionally, existing-home sales in the Northeast rose 2.2 percent to an annual pace of 910,000 in March, but are 18.8 percent below March 2007. The median price in the Northeast was \$284,300, up 4.6 percent from a year ago.

Existing-home sales in the West rose 2.2 percent in March to a level of 940,000 but are 22.3 percent below a year ago. The median price in the West was \$285,100, which is 14.7 percent lower than March 2007.

In the South, existing-home sales fell 3.5 percent to an annual rate of 1.92 million in March and are 20.0 percent below March 2007. The median price in the South was \$167,200, down 7.1 percent from a year ago.

Existing-home sales in the Midwest dropped 6.5 percent to an annual rate of 1.16 million in March, and are 15.9 percent below a year ago. The median price in the Midwest was \$152,600, down 5.3 percent from March 2007.

The National Association of Realtors®, “The Voice for Real Estate,” is America’s largest trade association, representing 1.2 million members involved in all aspects of the residential and commercial real estate industries.

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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.

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 April will be released May 23, and the next Forecast/Pending Home Sales Index is scheduled for May 7