

News Release



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JANUARY EXISTING-HOME SALES FALL, INVENTORY DOWN

WASHINGTON (February 25, 2009) – Existing-home sales declined in January with some buyers waiting to see how details of the economic stimulus package would affect them, according to the National Association of Realtors®. At the same time, inventories fell to a two-year low.

[Existing-home sales](#) – including single-family, townhomes, condominiums and co-ops – fell 5.3 percent to a seasonally adjusted annual rate¹ of 4.49 million units in January from a level of 4.74 million units in December, and are 8.6 percent lower than the 4.91 million-unit pace in January 2008.

[Lawrence Yun](#), NAR chief economist, said there was understandable hesitation by some home buyers. “Given so much stimulus package discussion in January, some would-be buyers simply sat out for clarity and certainty on the nature of housing stimulus,” he said. “The housing market will soon get a lift from very favorable buying conditions – not only from improved affordability, but also from the stimulus of an \$8,000 first-time home buyer tax credit, and higher conforming loan limits that will allow more people to tap into 50-year low mortgage rates.”

NAR estimates the impact of the stimulus package and lower interest rates on the housing market to be about 900,000 additional home sales in 2009 compared to conditions before the stimulus package. Inventory is expected to fall below an 8-month supply by the year end, which would be consistent with home price stabilization.

Total housing inventory at the end of January fell 2.7 percent to 3.60 million existing homes available for sale, which represents a 9.6-month supply² at the current sales pace. Because sales were down, the January supply is up from a 9.4-month supply in December.

“The drop in total inventory is an encouraging sign because the number of homes on the market has declined steadily since peaking in July 2008, and inventory is at the lowest level in two years,” Yun said. In January 2007 there were 3.54 million homes for sale.

NAR President [Charles McMillan](#), a broker with Coldwell Banker Residential Brokerage in Dallas-Fort Worth, said foreclosure relief needs to be fair. “Though President Obama's foreclosure relief plan is a step in the right direction with a net positive benefit for the housing market, serious issues of moral hazard and fairness need to be better addressed,” he said.

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“The plan should be wider in scope with equal opportunity for all rather than targeting specific groups. Responsible homeowners who have been making payments consistently on time but do not have traditional refinance options should also qualify for potential loan modifications,” McMillan said.

According to Freddie Mac, the [national average commitment rate](#) for a 30-year, conventional, fixed-rate mortgage fell to a record low at 5.05 percent in January from 5.29 percent in December; the rate was 5.76 percent in January 2008.

A high prevalence of distressed home sales, and of those in lower price ranges, has skewed the median price to be markedly lower than under normal market conditions. The national median existing-home price³ for all housing types was \$170,300 in January, down 14.8 percent from a year earlier when the median was \$199,800; the median is where half of the homes sold for more and half sold for less.

McMillan said we are living in a bifurcated market divided between distressed sales and traditional homes. “It appears that in many instances a buyer can get a really good deal on a distressed sale, although that home may require some significant effort to bring it up to standard.” A preliminary analysis by NAR suggests that non-distressed properties are holding their value much better.

“Distressed sales activity appears to be leveling off, although there are wide differences locally. For example, close to 80 percent of all sales are either foreclosed properties or short sales in Santa Ana, Calif., but less than 20 percent in the Chicago region,” Yun said. About a quarter of all inventory is listed as being distressed, but NAR estimates that distressed sales – foreclosed or those requiring a lender-mediated short sale – comprised about 45 percent of all sales in January. “Home buyers are evidently competing for homes with deep discounts,” he said.

Yun said it will take a while for the stimulus to show in housing data. From the time a buyer starts looking for a home until it is reported as a closed sale can take as long as five months: a median of 10 weeks to search and make an offer, about 6 weeks to close the transaction and up to 4 weeks to collect and report the data. “This means improvement from the economic stimulus isn’t likely to show as closed home sales before summer, although we may see an earlier lift from lower mortgage interest rates,” he said.

Significant local market variations continue. “A majority of markets experienced sales declines of more than 20 percent from a year ago, but some markets appeared to have reached the tipping point of accelerating home buying,” Yun said. “For example, home sales in Las Vegas have more than doubled with some reports of multiple bids.”

Single-family home sales fell 4.7 percent to a seasonally adjusted annual rate of 4.05 million in January from a pace of 4.25 million in December, and are 7.1 percent less than a 4.36 million-unit level in January 2008. The median existing single-family home price was \$169,900 in January, which is 13.8 percent below a year ago.

Existing condominium and co-op sales dropped 10.2 percent to a seasonally adjusted annual rate of 440,000 units in January from 490,000 units in December, and are 20.3 percent lower than the 552,000-unit level a year ago. The median existing condo price⁴ was \$174,400 in January, down 20.6 percent from January 2008.

Regionally, existing-home sales in the Northeast dropped 14.7 percent to an annual pace of 640,000 in January, and are 23.8 percent lower than January 2008. The median price in the Northeast was \$228,200, down 14.7 percent from a year ago.

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Existing-home sales in the Midwest fell 5.7 percent in January to a level of 1.00 million and are 16.7 percent below a year ago. The median price in the Midwest was \$138,100, which is 6.8 percent lower than January 2008.

In the South, existing-home sales declined 5.7 percent to an annual pace of 1.64 million in January, and are 15.9 percent below January 2008. The median price in the South was \$152,100, down 7.4 percent from a year earlier.

Existing-home sales in the West were unchanged at an annual rate of 1.20 million in January and are 29.0 percent stronger than a year ago. The median price in the West was \$220,000, which is 25.5 percent below January 2008.

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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NOTE: References to performance in states or metro areas are from unpublished raw data used to analyze regional trends; please contact your local association of Realtors[®] for more information.

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 to 90 percent of total home sales, are based on a much larger sample – more than 40 percent of multiple listing service data each month – and typically are not subject to large prior-month revisions.

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 2006 through 2008, as well as the inventory month's supply data. There are no revisions to raw inventory, or to single-family and condo home prices, aside from the normal prior month revisions. However, minor variances in sales ratios between single-family and condo resulted in slight revisions to weighted prices for total home sales.

²Total 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.

³The 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 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.

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.

Existing-home sales for February will be released March 23. The next Pending Home Sales Index & Forecast is scheduled for March 3; release times are 10 a.m. EST.

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.