

Existing-Home Sales Surge in Most States in Fourth Quarter

RISMEDIA, February 15, 2010—Strong gains in existing-home sales were the predominant pattern in most states during the fourth quarter, with many more metro areas seeing prices rise from a year earlier, according to the latest survey by the National Association of Realtors®.

Sales increased from the third quarter in 48 states and the District of Columbia; 32 states saw double-digit gains. Year-over-year sales were higher in 49 states and D.C.; all but three states had double-digit annual increases. Total state existing-home sales, including single-family and condo, jumped 13.9% to a seasonally adjusted annual rate of 6.03 million in the fourth quarter from 5.29 million in the third quarter, and are 27.2% above the 4.74 million-unit level in the fourth quarter of 2008. Distressed property accounted for 32% of fourth quarter transactions, down from 37% a year earlier.

Lawrence Yun, NAR chief economist, said the first-time home buyer tax credit was the dominant factor. “The surge in home sales was driven by buyers responding strongly to the tax credit combined with record low mortgage interest rates,” he said. “With inventory levels trending down over the past 18 months, we expect broadly balanced housing market conditions in much of the country by late spring with more areas showing higher prices.”

According to Freddie Mac, the national average commitment rate on a 30-year conventional fixed-rate mortgage fell to a record low 4.92% in the fourth quarter from 5.16% in the third quarter; it was 5.86% in the fourth quarter of 2008. In the fourth quarter, 67 out of 151 metropolitan statistical areas reported higher median existing single-family home prices in comparison with the fourth quarter of 2008, including 16 with double-digit increases; one was unchanged and 84 metros had price declines. In the third quarter only 30 MSAs showed annual price increases and 123 areas were down.

The national median existing single-family price was \$172,900, which is 4.1% below the fourth quarter of 2008; the median is where half sold for more and half sold for less. “This is the smallest price decline in over two years, with the most recent monthly data showing a broad stabilization in home prices,” Yun said.

“Because buyers are taking on long-term fixed rate mortgages, avoiding adjustable-rate products, and trying to stay well within their budgets, the price recovery process appears durable,” Yun said.

NAR President Vicki Cox Golder, owner of Vicki L. Cox & Associates in Tucson, Ariz., said near-term market conditions will remain favorable. “Mortgage interest rates are expected to trend up later this year, but right now we have very good conditions with steadying home prices and favorable inventory in most areas, especially in the higher price ranges,” she said.

“The biggest issue is for repeat buyers, who will have to accelerate their buying plans if they want the expanded tax credit. Since you must have a contract in place by the end of April, the best advice is to consult a Realtor now about qualification criteria and options in your area,” Golder said. Repeat buyers do not have to sell their existing home, but all buyers must occupy the property they purchase as a primary residence to qualify for the tax credit. Buyers who have a contract in place by April 30, 2010, have until June 30, 2010, to finalize the transaction to get a credit of up to \$8,000 for first-time buyers and \$6,500 for repeat buyers.

In the condo sector, metro area condominium and cooperative prices—covering changes in 54 metro areas—showed the national median existing-condo price was \$177,300 in the fourth quarter, down 4.8% from the fourth quarter of 2008. Eleven metros showed increases in the median condo price from a year earlier and 43 areas had declines; in the third quarter only four metros experienced annual price gains.

Northeast

Regionally, existing-home sales in the Northeast rose 11.1% in the fourth quarter to a pace of 1.03 million and are 33.6% higher than a year ago. The median existing single-family home price in the Northeast declined 5.6% to \$234,900 in the fourth quarter from the same quarter in 2008, but with widely varying conditions. “In the Northeast, markets with lower median prices that have avoided wide swings, such as Buffalo, are generally showing consistent price gains,” Yun said. “Even so, some of the higher cost areas are showing signs of stabilization, such as Nassau-Suffolk, N.Y., and Boston.”