

Realtors: Existing home sales rose in July

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WASHINGTON - Sales of existing homes rose 3.1 percent in July, easily beating Wall Street's expectations, as buyers snapped up deeply discounted properties in parts of the country hit hardest by the housing bust.

However, the number of unsold properties hit an all-time high, the latest indication that the worst **housing market** slump in decades is far from over.

The National Association of Realtors reported Monday that sales rose to a seasonally adjusted annual rate of 5 million units. Sales had been expected to rise by only 1.6 percent, according to economists surveyed by Thomson/IFR.

Home sales were 13.2 percent lower than a year ago and prices were down dramatically. The median price for a home sold in July dropped to \$212,000, down by 7.1 percent a year ago.

Despite the third monthly sales jump this year, the number of unsold single-family homes and condominiums rose to 4.67 million, the highest number since 1968, when the Realtors group started tracking the

data.

That represented a 11.2 month supply at the July sales pace, matching the all-time high set in April.

Sales were up in all regions of the country except the South, which posted a 0.5 percent decline. Sales rose by 5.9 percent in the Northeast, 0.9 percent in the Midwest and 9.7 percent in the West.

Analysts say that until the inventory level is reduced to more normal levels, the housing slump is likely to persist. The inventory level is being driven higher by a massive wave of mortgage foreclosures.

Despite the rise in sales, Lawrence Yun, the Realtors' chief economist, was reluctant to conclude that the U.S. housing market has hit bottom.

While buyers are pouncing on lower prices - especially in places like California, Florida and Nevada - sales are sluggish in formerly stable states like Texas.

"People are responding to lower prices," Yun said, but there is "too much uncertainty" about the housing market's future to mark a definite bottom.

One key unknown is the ability of mortgage **finance** companies Fannie Mae and Freddie

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Mac to supply money for loans. The two government-sponsored companies have cut back the availability of mortgages significantly as they cope with mounting losses from foreclosures and officials ponder whether to shore up the two struggling companies.

President Bush last month signed sweeping housing legislation that aims to prevent foreclosures by allowing an estimated 400,000 homeowners to swap their mortgages for more affordable loans, but only if their lender agrees to take a loss on the initial loan.

Even with government help, nearly 2.8 million U.S. households will either face **foreclosure**, turn over their homes to their lender or sell the properties for less than their mortgage's value by the end of next year, predicts Moody's Economy.com.

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