

May Existing- Home Sales Show Market is Under Performing

WASHINGTON, June 25, 2007 –

Existing-home sales were essentially unchanged in May, according to the National Association of Realtors®.

Total existing-home sales – including single-family, townhomes, condominiums and co-ops – eased by 0.3 percent to a seasonally adjusted annual rate of 5.99 million units in May from an upwardly revised pace of 6.01 million in April, and are 10.3 percent below the 6.68 million-unit level in May 2006.

Lawrence Yun, NAR senior economist, said the market softness is understandable. “I think psychological factors are currently the biggest drag on the housing market, in addition to a disruption from tighter credit for subprime borrowers,” he said. “Household formation has slowed dramatically since late 2006, implying that many people are doubling-up – they’re adding roommates or moving in with parents.

“The market is underperforming when you consider positive fundamentals such as the strength in job creation, economic growth, favorable mortgage interest rates and flat home prices. It appears some buyers are simply waiting for more signs of stability before they get serious about getting into the market.”

The national median existing-home price for all housing types was \$223,700 in May, which is 2.1 percent below May 2006 when the median was \$228,500. The median is a typical market price where half of the homes sold for more and half sold for less, but there is a temporary downward distortion in the current national comparison because sales have shifted away from many high-cost markets in the past year.

According to Freddie Mac, the national average commitment rate for a 30-year, conventional, fixed-rate mortgage was 6.26 percent in May, up from 6.18 percent in April; the rate was 6.60 percent in May 2006.

NAR [President Pat V. Combs](#), from Grand Rapids, Mich., and vice president of Coldwell Banker-AJS-Schmidt, said higher inventories are helping to offset an affordability impact from higher mortgage interest rates. “Although mortgage interest rates are trending up, they are historically favorable,” she said. “The good news is buyers have more negotiating power with a fairly large supply of homes available in much of the country. Buyers who’ve been on the sidelines may want to take a closer look at current conditions in their area – if they wait for sales to rise, their choices and negotiating position won’t be as good as they are now.”

Total housing inventory rose 5.0 percent at the end of May to 4.43 million existing homes available for sale, which represents an 8.9-month supply at the current sales pace, up from an 8.4-month supply in April.

Single-family home sales slipped 0.8 percent to a seasonally adjusted annual rate of 5.20 million in May from an upwardly revised 5.24 million in April, and are 10.8 percent lower than a 5.83 million-unit pace a year ago. The median existing single-family home price was \$223,000 in May, which is

2.4 percent lower than May 2006.

Existing condominium and co-op sales rose 2.6 percent to a seasonally adjusted annual rate of 790,000 units in May from 770,000 in April, but are 6.7 percent below the 847,000-unit level in May 2006. The median existing condo price³ was \$228,200 in May, down 0.4 percent from a year ago.

Regionally, existing-home sales in the Northeast rose 5.8 percent to a level of 1.10 million in May, but are 3.5 percent lower than May 2006. The median existing-home price in the Northeast was \$282,700, which is 0.5 percent higher than a year ago.

Existing-home sales in the Midwest rose 0.7 percent in May to a level of 1.41 million, but are 6.6 percent below a year ago. The median price in the Midwest was \$168,800, which is 1.7 percent below May 2006.

Existing-home sales in the West slipped 0.8 percent in May to an annual pace of 1.18 million, and are 16.3 percent below May 2006. The median price in the West was \$341,900, which is 0.5 percent lower than a year ago.

Existing-home sales in the South fell 3.4 percent to an annual sales rate of 2.30 million in May, and are 11.9 percent below a year ago. The median price in the South was \$184,000, down 3.8 percent from May 2006.

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