

Home sales, prices fell again at end of 2006

Report: 40 states decline, cost down in nearly half of metropolitan areas

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WASHINGTON - The slump in housing deepened in the final three months of last year with **sales falling in 40 states** and median home prices dropping in nearly half the metropolitan areas surveyed.

Formerly red-hot areas were among the hardest hit as the five-year housing boom cooled considerably in 2006.

While some economists said they believed the worst may be over for housing, others predicted more price declines to come until near-record levels of unsold homes are reduced.

The National Association of Realtors said the states with the biggest declines in sales from October through December compared with the same period in 2005 were: Nevada, down 36.1 percent; Florida, down 30.8 percent; Arizona, down 26.9 percent; and California, down 21.3 percent.

In all, the Realtors said sales declined in 40 states, six states showed gains and one state, Utah, had no change in activity in the final three months of last year. There was not enough information from Idaho, New Hampshire and Vermont to make a comparison.

Nationally, sales declined by 10.1 percent in the fourth quarter compared with the same period a year ago. The national median price — the point where half sell for more and half sell for less — fell to \$219,300, down 2.7 percent from the fourth quarter of 2005.

In all, median home prices fell in 49 percent of the 149 metropolitan areas surveyed, the largest percentage of areas showing price declines in the 27-year history of the Realtors' price survey.

A total of 73 metro areas had price declines from a year ago while 71 areas had increases. Five metro areas reported no change.

The price declines were led by an 18 percent decline in the Sarasota-Bradenton-Venice area of Florida. The city with the biggest price gain was Atlantic City, N.J., where the median home price was up 25.9 percent in the fourth quarter.

David Lereah, chief economist for the Realtors, said he believed the report would represent the low-point in the current housing slowdown.

"When we get the figures for the spring, I expect to see a discernible improvement in both sales and prices," he said.

But Mark Zandi, chief economist for Moody's Economy.com, predicted that home prices in many parts of the country would continue to be under pressure for the rest of this year as the market works through still large inventories of unsold homes.

He said this process will be made more difficult with banks raising lending standards because of concerns about rising mortgage default rates.

“The price declines we are seeing are extraordinarily broad-based and just symbolize how significant a price correction we are in,” Zandi said.

“We are seeing the declines concentrated in the industrial Midwest, where the job market is a mess due to the layoffs in the auto industry, and in markets such as Florida and California” where a heavy influx of speculators had bid up prices, Zandi said.

Before 2006, housing enjoyed a lengthy boom with sales of both new and existing homes setting records for five straight years. Buyers were attracted by the lowest mortgage rates in more than four decades.

But big declines in sales and construction last year turned housing from one of the economy’s stars to a major drag, which subtracted more than a percentage point from overall growth in both the third and fourth quarters.

The Realtors’ survey showed that sales were down in every region in the fourth quarter while prices fell everywhere except the West.

The fourth quarter decline in prices was led by a 4.2 percent drop in the Midwest, followed by a 3.7 percent decline in the South and a 2.5 percent fall in the Northeast. Prices were up by 0.4 percent in the West.

Courtesy of JBGGoodwin