

Housing boom over in 28 states

Arizona, Florida and California see the sharpest drops.

By Martin Crutsinger
ASSOCIATED PRESS
Wednesday, August 16, 2006

WASHINGTON — The nation's once-booming housing market slumped even further in the spring. Sales declined in 28 states, led by big drops in the formerly red-hot areas of Arizona, Florida and California.

Sales of existing homes fell nationwide to a seasonally adjusted annual rate of 6.69 million units in the April-June quarter, a 7 percent decrease from the record rate of 7.19 million units in the spring of 2005, the National Association of Realtors reported Tuesday.

And in further evidence that the housing boom is over, the National Association of Home Builders said its monthly survey of builder sentiment fell to its lowest level in more than 15 years.

The decline, which pushed the index down seven points to 32, was blamed on growing unease among builders about record levels of unsold new and existing homes and increased cancellations of contracts for new homes. It was the seventh consecutive drop.

"An increasing number of potential buyers are adopting a wait-and-see attitude because of uncertainty about where the housing market is headed," said David Seiders, chief economist for the home builders.

The slowdown is occurring after a lengthy boom in which sales of both new and existing homes set records for five straight years as buyers were lured by the lowest mortgage rates in more than four decades.

But mortgage rates have been climbing for most of this year, reflecting a two-year campaign by the Federal Reserve to push interest rates higher as a way of slowing the economy and keeping inflation under control.

The Fed last week chose not to raise rates for an 18th time, spurring hopes that the increases will end before they do more damage to interest-rate sensitive sectors of the economy such as housing.

The Realtors survey showed that sales fell in 28 states and the District of Columbia in the spring, compared with the same period a year earlier.

The biggest sales declines occurred in states that had the hottest markets last year. Sales fell 26.9 percent in Arizona, 26.7 percent in Florida, 25.3 percent in California, 23.9 percent in Virginia and 23.5 percent in Nevada.

However, some other areas of the country where previous gains had been more modest continued to have increases. Twenty states reported sales gains, led by Alaska — which had a 48.6 percent increase fueled by the boom in the oil industry — followed by Arkansas, Texas and North Carolina.

"States with moderately priced areas that have experienced healthy job creation are seeing sales gains," said David Lereah, chief economist for the Realtors.

Lereah predicted that the slide in existing home sales would soon come to an end as reluctant home sellers start cutting their asking prices, which he said should spur a sales rebound.

Seiders said he thinks that new home sales will continue to slide for several months before stabilizing. He predicted that new single-family home sales, which set a record of 1.28 million units last year, will drop about 12.8 percent this year.