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## Existing-Home Sales Tick Up, but Prices Slip

**As Surge in Distressed Deals Discourages Owners From Trading Up, Tough Loan Rules Keep First-Time Buyers on Sideline**

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Sales of previously owned homes rose slightly in March, but prices continued to fall, underscoring the fragility of the housing market's recovery.

**Existing home sales increased 3.7% in March from February, according to data from the National Association of Realtors released Wednesday. That represents a seasonally adjusted pace of 5.1 million—less than the 5.4 million rate in January and 5.2 million in December.**

The numbers disappointed an industry that has been hoping for a rebound in the all-important spring sales season. "The economic recovery has bypassed the housing market," Toronto-based Capital Economics wrote in a note to clients.

**Distressed sales accounted for 40% of all sales in March, the highest in two years, according to NAR. All-cash buyers made up 35% of all transactions—the highest since record-keeping began in 2008—in a sign of a persistently tight lending environment keeping many entry-level buyers from inking deals.**

"A fundamental upturn in housing requires first-time home buyers," said Steve Blitz, senior economist with ITG Investment Research. "With tighter requirements and no low-down-payment [loans] available, the renting cohort is still renting and not making the necessary impact to believe that the housing market has turned," he said.

Until prices stabilize, the housing market faces a long slog toward recovery. The median price in March fell to \$159,600, down nearly 6% from a year earlier. Home prices have fallen so low that investors are snapping up homes to fix and resell for a profit or to turn into rentals; investors accounted for 22% of sales activity in March, up from 19% in February.

Realtors say sellers must accept the reality of low pricing and stop waiting for a return of boom-era values. "If sellers are realistic, their homes will move quickly," said Cindy Jones, a broker with C.J. Realty Group in Prince William County, Va., outside Washington, D.C.

Ms. Jones says that homes priced right and in prime locations are seeing, in some cases, multiple offers.

As the spring season drags on, desperate sellers will have no choice but to further cut prices, leading some real-estate agents to forecast a sales pickup by summer.

**To be sure, there are some signs for hope: Sales volume has risen six out of the last eight months.** And applications for residential mortgages rose 5.3% last week, marking the first increase in a month, the Mortgage Bankers Association said Wednesday. The average interest rate on a 30-year fixed-rate mortgage fell to 4.83% from 4.98% a week earlier.

Further, housing's downturn has not hit some segments as hard. SeattleHome.com managing broker Sam DeBord says waterfront sales, for example, remain strong. "Year-to-date sales of waterfront in Seattle and the Eastside are up 15%, compared to the sales volume at this time last year," he said.

But, overall, housing remains troubled, and the existing market's woes continue rippling into the new-home sector. Builders are having trouble competing with existing inventory, particularly rock-bottom prices on distressed deals. They, too, will likely cut prices in coming months to salvage the selling season, said Daniel Oppenheim, a home-builder analyst with Credit Suisse.

Some builders say they are losing business from would-be buyers who can't sell their existing homes. New construction remains dependent on such buyers looking to move into larger, single-family homes or downsize into smaller ones.

"That's the biggest reason why they won't sign on the dotted line," said Bill Bonenberger, founder of Pennsylvania-based W.B. Homes. "It absolutely has to do with their insecurity about having to sell their home and get what they believe is the fair price."

Anthony Bartolone of South Elgin, Ill., finds himself in that position. He wants to upgrade to a bigger new home, but his three-bedroom home hasn't sold in the nine months it has been listed. He priced it at \$199,999, enough to cover what he owes, but below the \$227,000 he paid six years ago.

"New homes are so cheap, they're giving them away," the 32-year-old said. But "there are so many foreclosures and short sales. It's hard to compete."

**Courtesy of JB Goodwin**