

# Glut of homes hits 16-year high

## **Sales slip, but supply of homes on the market jumps to 9.6 months, pushing prices down for 12th straight month.**

By Chris Isidore, CNNMoney.com senior writer  
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NEW YORK (CNNMoney.com) -- Homeowners trying to sell last month faced the biggest glut of homes on the market in about 16 years, as declining sales and growing problems in the mortgage market helped push home prices down for the 12th straight month.

The National Association of Realtors said sales by homeowners slipped to an annual rate of 5.75 million last month, down 0.2 percent from the revised 5.76 million pace in June. Economists surveyed by Briefing.com had forecast the sales rate would fall to 5.7 million in the latest reading.

Not only did sales slip but the number of homes for sale jumped 5.1 percent, the group said, meaning there is now a 9.6-month supply of homes for sale, up from 9.1-months in the June reading. It was the biggest supply of homes by that measure since October 1991.

**"Forget 'location, location, location.' The most important factor in today's real estate market is 'supply, supply, supply,'" said Mike Larson, a real estate analyst at independent research firm Weiss Research.**

"We are literally swimming in an ocean of homes for sale. In fact, at 4.59 million units, we have the most raw inventory for sale in history," he said. "Until we work through this extremely large inventory glut, we're not going to see any momentum in home prices."

Even the Realtors' own economist admitted that problems in the mortgage market will continue to take a toll on home sales.

"Home sales probably would be rising in the absence of the mortgage liquidity issues of the past two months," said Lawrence Yun, the trade group's senior economist.

"Some buyers with contracts have been scrambling when loan commitments did not materialize at the last moment, while other potential buyers are simply waiting for the mortgage market to stabilize."

August has seen problems in the mortgage market cut deeply into the availability of financing for many buyers, particularly those needing subprime mortgages due to credit rating issues or a jumbo mortgage of more than \$417,000.

The existing home sale numbers track sales that closed in the month. Closings typically occur a month or two after buyers lock in financing.

"These are 'PC' figures - pre-crunch," said Larson. "The mortgage credit crunch that began very late in July and picked up steam in August will likely put more downward pressure on home sales and prices this month and into the fall."

The report comes after Friday's government reading that showed new homes selling at a [better-than-expected](#) pace. But the reports showed more weakness in prices - which have become a major concern for the U.S. economy as a whole.

The median price of an existing home sold in the month fell 0.6 percent from a year earlier to \$228,900. It marked the 12th straight month that prices have been down on that basis, after the June reading was revised lower as well. The July 2006 median price was a record high for that reading, which measures the point at which half the homes sold go for more and half go for less.

Experts have tied [weak auto sales](#) at least partly to concerns among consumers about the decline in equity in their homes. Some fear that weakness in home values and reduced access to home equity lines of credit could soon affect a broader range of [retail sales](#).

In addition, the downturn in housing has also fed investor concern about mortgage-backed securities, which in turn has created a [credit crunch](#) in financial markets, and sent stocks into a tailspin, as a number of corporate deals have run into financing problems.

Not surprisingly, results at the nation's home builders have been among the hardest hit.

While luxury home builder [Toll Brothers](#) ([Charts](#), [Fortune 500](#)) managed to report a narrow profit last week that topped forecasts of a loss, it still saw earnings [fall 85 percent](#) from year-earlier levels. And the six publicly traded builders who are larger than Toll have all reported losses recently.

[Lennar](#) ([Charts](#), [Fortune 500](#)), the nation's No. 1 builder, and No. 5 [KB Home](#) ([Charts](#), [Fortune 500](#)) both reported a loss in the latest quarter. No. 2 home builder [D.R. Horton](#) ([Charts](#), [Fortune 500](#)) and No. 3 [Centex](#) ([Charts](#), [Fortune 500](#)) both reported losses far bigger than Wall Street had expected, while No. 6 [Pulte Homes](#) ([Charts](#), [Fortune 500](#)) and [Hovnanian Enterprises](#) ([Charts](#), [Fortune 500](#)) have reported losses for the last two quarters and analysts project losses for at least the next year. ■

## Austin Residential Home Sales Activity

Date	Sales	Dollar Volume	Average Price	Median Price	Total Listings	Months Inventory
2007-Jan	1,621	386,519,522	238,400	175,000	7,784	3.1
Feb	1,893	441,243,792	233,100	177,300	7,991	3.2
Mar	2,586	624,401,895	241,500	177,300	8,696	3.5
Apr	2,554	623,745,741	244,200	182,200	9,385	3.7
May	2,973	731,891,181	246,200	183,000	9,987	4.0
Jun	3,022	767,359,363	253,900	190,700	10,351	4.1
Jul	2,978	751,972,639	252,500	189,100	10,757	<b>4.3</b>

Source: Real Estate Center at Texas A&M University