

Existing-Home Sales Plunged in July

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Existing-home sales in the U.S. fell to their lowest level in 15 years in July as inventories soared, painting a grim picture for the housing market absent government support.

Home re-sales dropped a record 27.2%—nearly twice as much as analysts had expected—to an annual rate of 3.83 million in July, the National Association of Realtors said Tuesday. Meanwhile, inventories rose to 12.5 months from 8.9 months in June, pressuring already depressed home prices. Inventories are at their highest level in more than a decade.

"Historically, July is the peak inventory month in any given year," NAR Chief Economist Lawrence Yun said.

Economists surveyed by Dow Jones Newswires had expected existing-home sales to fall 14.3% to an annual rate of 4.6 million.

"The report shows the housing industry has hit more turbulence, is not leveling off and is worried about a nose-dive," said Mitchell Hochberg, a principal at Madden Real Estate Ventures in New York.

"Unemployment, foreclosures and shadow inventory are keeping consumers on the sidelines waiting for prices to drop further."

The Realtors revised figures for June downward, saying existing-home sales fell to a 5.26 million annual rate instead of the initially estimated 5.37 million annual rate.

The July sales decline reflects a souring U.S. economic recovery and the expiration of a government tax credit that had been supporting the housing market for more than a year. The tax credits offered certain buyers as much as \$8,000 to sign a contract by April 30. Deals originally needed to close by June 30, but lawmakers pushed that deadline to Sept. 30.

Still, the tax credit's expiration drove pending-home sales down 30% in May and caused a double-digit dive in mortgage applications even as interest rates hovered near their lowest levels in generations. July's existing-home sales data reflect the May plunge in pending sales, which typically become existing sales within a couple of months.

Mortgage rates remain low, but lingering troubles in the labor market continue to restrain the nation's housing recovery. The Federal Reserve, in its latest forecast, scaled back growth projections, saying it expects the soft job market to continue to damp economic progress.

On a year-over-year basis, July sales were down 26% from an annual rate of 5.14 million in July 2009. Median home prices in July rose 0.7% to \$182,600.