



By Martin Crutsinger, AP Economics Writer

WASHINGTON — Sales of existing homes fell more sharply than expected in June as the housing industry continued to be bruised by the worst slump in more than two decades.

The National Association of Realtors reported Thursday that sales dropped 2.6% last month to a seasonally adjusted annual rate of 4.86 million units. That's more than double the expected decline. **It leaves sales 15.5% below where they were a year ago.**

The downward slide in sales is depressing prices, too. The median price for a home sold in June has dropped to \$215,100, down by 6.1% from a year ago. That was the fifth largest year-over-year price drop on record.

The drop in sales pushed inventories of unsold single-family homes and condominiums to 4.49 million units, up 0.2%. **That represented a 11.1 month supply at the June sales pace, the second highest level in the past 24 years.**

Sales were down in all regions of the country except the West, which posted a 1% sales increase. Sales fell 6.6% in the Northeast, 3.4% in the Midwest and 3.1% in the South.

Analysts say that until the inventory level is reduced to more normal levels, the slump in housing is likely to persist. The inventory level is being driven higher by a massive wave of mortgage foreclosures, however.

Seeking to address the housing crisis, Congress is moving to pass a sweeping package of rescue measures. The plan includes support to keep as many as 400,000 homeowners from losing their homes to foreclosure and a federal lifeline to bolster troubled mortgage giants Fannie Mae and Freddie Mac.

The House passed the bill Wednesday and the Senate is expected to pass the proposal in coming days, sending it to President Bush. The president has dropped a threatened veto over a portion of the bill.

Lawrence Yun, chief economist for the Realtors, said that the housing rescue bill should play a major role in helping the housing market to rebound. He said an especially significant feature is a tax break worth up to \$7,500 for first-time home buyers who purchase between April 9 of this year and July 1, 2009.

Yun estimated that up to 3 million first-time home buyers could qualify for that tax break, providing a significant boost to sales at a critical time.

"I think we are very near to the end of the housing downturn," Yun said.

Other private economists are not as optimistic. They worry that the relief supplied by Congress will not be enough to relieve the pressure weighing on housing and the overall economy now.

Courtesy of JB Goodwin