

Falling prices bring out home purchasers in July

Some analysts say market has hit bottom, but supply very high relative to sales.

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Home sales perked up in July, a respite for the housing market, as falling prices appeared to lure more buyers. But the number of homes for sale increased as well, which could push prices down further.

Sales of previously owned homes, which make up most of the nation's housing supply, rose 3.1 percent last month from the month before, making July the best month for sales since February 2007. Economists had expected an increase of 1.2 percent. Sales are running at a seasonally adjusted annual rate of 5 million units, the National Association of Realtors, said Monday. That is the fastest pace in five months.

"Hard to avoid the conclusion that sales have bottomed out," Ian Shepherdson of High Frequency Economics wrote in a note.

A wave of foreclosures and tighter lending standards had scared off many would-be purchasers from the market, which has entered its worst slump since the Great Depression.

But another factor hindering sales has been a prevailing sense among Americans that prices could drop further. Monday's report added more evidence that could be the case.

The National Association of Realtors figures include all types of housing. The biggest improvement for the month came in single-family homes, with a 3.1 percent gain and a decrease in homes on the market. The overall supply rose 3.9 percent, led by a significant jump in apartments for sale.

"Inventories are very high relative to sales rates, and would probably be even more so if all those wishing to sell their home actually had the house on the market instead of pulling it off in the face of weak demand and eroding prices," Joshua Shapiro, chief domestic economist at the research firm MFR, wrote in a note.

"There is still a considerable distance to travel before prices sink to levels necessary to balance supply and demand in the housing market," he wrote.

The median price for a previously owned home fell in July to \$212,400 from \$215,100 in June. Last month's price was 7.1 percent below the level in July 2007.

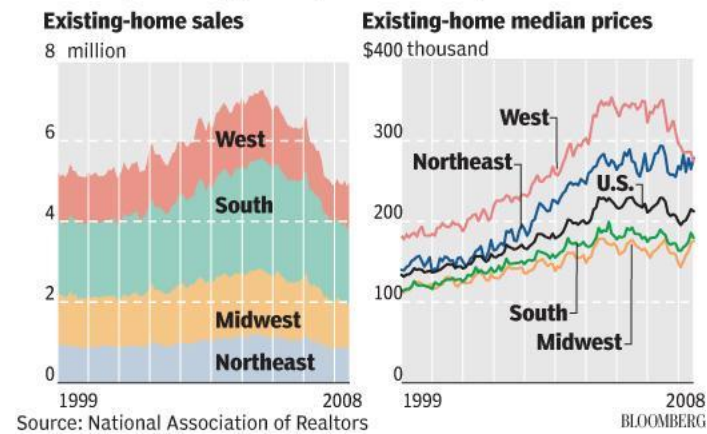
Central Texas home prices have not declined. The median single family home price last month rose 3 percent, to \$195,000; sales were down 21 percent from a year ago.

In Western states, sales were higher than they were a year ago, the only region in the country to see an annual increase. Sales in the West rose 9.7 percent in July; they were up 5.9 percent in the Northeast, rose 0.9 percent in the Midwest and declined 0.5 percent in the South.

At the current sales rate, it would take 11.2 months to work off the entire supply of homes on the market.

Home-sale gains mask housing weakness

Sales of previously owned homes in the U.S. rose 3.1 percent in July, advancing more than forecast to an annual rate of 5 million. Median prices dropped 7.1 percent from July 2007.



Courtesy of JB Goodwin