

U.S. home prices fall, backlog of unsold homes shrinks

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WASHINGTON — A record decline in U.S. home prices in August attracted more buyers in some areas and led to a sizable decline in the number of unsold homes on the market, the National Association of Realtors said Wednesday.

The median sales price fell 9.5 percent to \$203,100, the largest drop on records dating to 1999. Buyers are taking advantage of steep discounts, especially in hard-hit markets like California, Nevada and Florida.

"Time and price are the real cures for the housing market slump," said Mike Larson, an analyst at Weiss Research.

Although sales fell 11 percent year-over-year, the inventory of unsold homes fell 7 percent to 4.3 million, down from the all-time record of 4.6 million in July. **That's a 10.4-month supply at the current sales pace.**

The decline, however, merits only "a small round of applause" because about five months of inventory is a more typical level, Global Insight economist Patrick Newport wrote. Also, many homeowners who don't have to sell are probably keeping their properties off the market. At the same time, thousands of foreclosed properties are tied up in court and are not yet for sale.

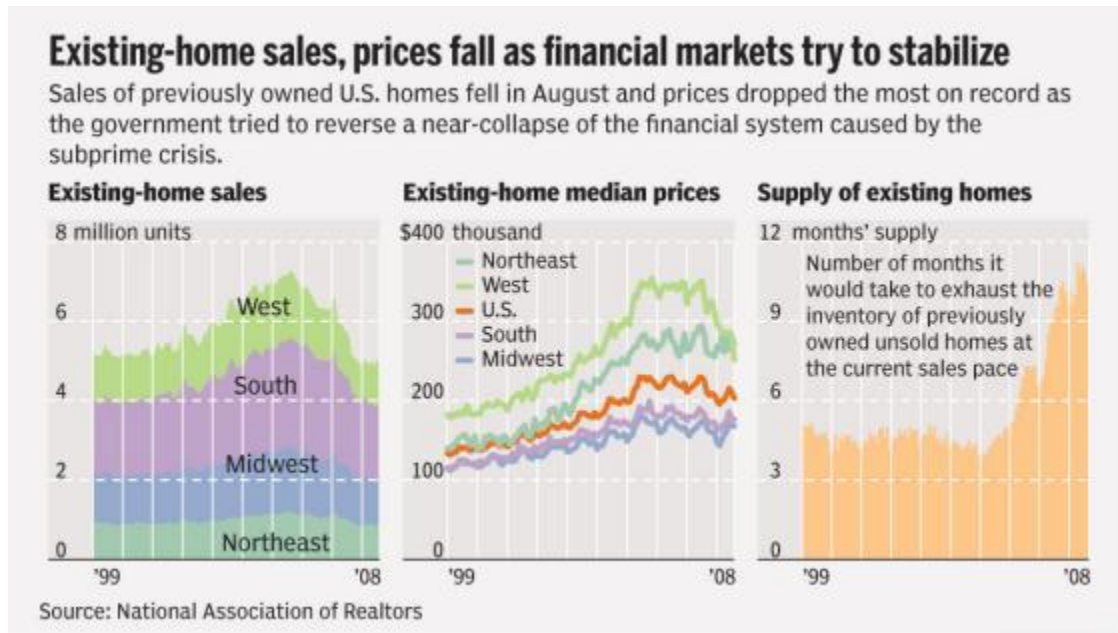
Austin continues to run counter to national trends, with a median price that rose 2 percent last month. However, sales fell 20 percent, continuing a string of double-digit percentage declines. And there are more than 10,000 homes on the market, a number that has not changed substantially in several months.

Lawrence Yun, the trade group's chief economist, said he hopes the national downward trend in inventories continues because, "home prices will not stabilize as long as inventories remain high."

Inventories have been driven higher by a enormous wave of mortgage foreclosures.

Reckless lending during the real estate boom and the current decline in home prices are the driving forces behind record mortgage defaults. They have spurred a credit crisis that has shaken Wall Street and caused the Bush administration to propose a \$700 billion financial industry bailout.

Real estate groups hope the government's takeover of mortgage finance companies Fannie Mae and Freddie Mac, combined with a sweeping purchase of distressed mortgage securities on Wall Street, will ultimately make it easier for homebuyers.



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