

Home sales plunged in '06

December National Association of Realtors report shows biggest drop in full-year sales in 17 years, but prices show sign of bottoming out.

By Chris Isidore, CNNMoney.com senior writer
January 25 2007: 4:22 PM EST

NEW YORK (CNNMoney.com) -- Home sales saw the biggest drop in 17 years last year, according to a trade group report on the battered real estate market, but the reading also showed the decline in home prices may have bottomed out in December.

The National Association of Realtors (NAR) reported that there was an 8.4 percent drop in the existing home sales in 2006, falling to 6.48 million from the record 7.08 million level in 2005. It was the largest decline since a 14.8 percent drop in 1989.

The annual sales pace in December was even slower - a 6.22 million annual rate, down 7.9 percent from a year earlier, and off 0.8 percent from the November sales pace. The December sales were also weaker than the forecast of a 6.3 million sales pace, according to economists surveyed by Briefing.com.

But the trade group reported that the median home price in December was \$222,000, unchanged from a year earlier. That flat reading ended the four-month slide when median home prices were off on a year-over-year basis. Median price is the point at which half the homes sell for less money and half sell for more.

Before that losing streak began in August, it had been 11 years since median price had been down compared to a year earlier. The slide in prices hit a record 4.4 percent year-over-year decline in October.

"It looks like we're moving beyond the low for the housing cycle last fall, and buyers are responding to historically low interest rates and competitive pricing by home sellers," said a statement from David Lereah, the NAR's chief economist. "In addition, a tightening inventory of homes on the market is supporting prices."

The supply of homes on the market was 3.5 million in December, down 7.9 percent from November, although that was still 23 percent above the year-earlier levels. The group estimates that inventory of homes on the market represents a 6.8-month supply, down from a 7.3-month supply in the November reading.

The full-year median price also came in at \$222,000, which was up 1 percent from the full-year 2005 price of a typical home.

Phillip Neuhart, an economic analyst with Wachovia, said that the market is showing signs of stabilizing, but it's too soon to say price declines are in the past.

"One month of flat numbers isn't going make me say prices have bottomed out," he said. "But it might show there's some good activity."

He also said that Wachovia has forecast an essentially flat year for home sales and prices and that the sales record set in 2005, which had been the ninth record in 10 years, is likely to stay a record for at least the next several years.

"We think 2007 is going be relative[ly] paltry year, and 2008 will be a bounce back, not a dramatic expansion," he said. "We think it'll be years away before we again see the levels of 2005."

A sharp slowdown in home sales and prices for existing homes has been led by even sharper declines in homebuilding and new home prices. Major homebuilders such as [Lennar \(Charts\)](#), [Pulte Home \(Charts\)](#), [KB Home \(Charts\)](#), [Centex \(Charts\)](#), [D.R. Horton \(Charts\)](#) and [Toll Brothers \(Charts\)](#) have all seen sharp declines in earnings in 2006.

The government's report on new home sales in December is set to be released Friday.

The National Association of Realtors originally reported the decline as the largest since 1982. The group subsequently corrected that information, which had been reported in an earlier version of this article.

Courtesy of JB Goodwin