

## Existing home sales down slightly in May

By Patrick RuckerMon / June 25, 1:18 PM ET / Reuters

Sales of existing U.S. homes slipped in May to the lowest level in four years and the number of unsold homes on the market rose sharply, suggesting a housing recovery was still a long ways off.

Existing home sales fell 0.3 percent last month to a 5.99 million-unit annual rate, the slowest since June 2003, from an upwardly revised 6.01 million in April, the National Association of Realtors said on Monday.

**The inventory of homes for sale rose 5 percent to 4.43 million units, an 8.9 months' supply at May's sales pace. That matches the supply in June 1992, although the data from that month covered only single-family homes, while the current data also includes condos.**

Economists polled by Reuters were expecting home resales to fall to a 5.98 million-unit pace from the 5.99 million-unit rate initially reported for April. The April sales pace was revised to a 6.01 million unit rate.

**May was the 10th straight month in which prices dropped from year-ago levels, with the national median price down 2.1 percent to \$223,700.**

Although the sales volume nosed ahead of analysts' low expectations, a fall in home values and a surge in inventory were taken as signs that the ailing housing sector has a long road to recovery.

"The data still show a lot of weakness so prices are slipping. The inventory levels number was up again, suggesting that probably there will be further (downward) price pressure," said Gary Thayer, chief economist with A.G. Edwards and Sons, in St. Louis. "It doesn't look as if there are any signs of a turnaround yet."

U.S. government bond prices traded steady at higher levels on Monday after the home sales data did not alter the Federal Reserve interest rate outlook. U.S. stocks gained.

The higher inventory level was a major concern because the stock of homes continues to outpace consumer demand, said Lawrence Yun, senior economist with the trade association. "This is uncomfortably high inventory," he said. "It was last this high in the middle of a market slump."

Yun said he was puzzled why consumers are not buying more of the available homes since employment is high and wages are strong. Home builders should ease off on construction while inventories remain elevated, he said.

According to a home builder survey released last week, confidence in the sector is at its lowest point in over 16 years.

Home sales have been hurt, in part, by increased foreclosures among subprime borrowers with damaged credit as mortgage rates have climbed higher.

On Tuesday, the Commerce Department will issue a report on sales of new homes, which constitute 15 percent of the total housing market. Economists expect the sales pace to slip to 925,000 units from the 981,000 unit pace of last month.

Homes sales were mixed across the regions, with the Northeast registering a 5.8 percent increase for the month while sales in the Midwest rose 0.7 percent. The West and South reported a drop-off in sales, with 0.8 and 3.4 percent declines respectively.

**Courtesy of JB Goodwin**