



ECONOMIC REPORT

Apr 22, 2008

Home resales fall 2% to 4.93 million in March Inventories rise 1%; median sales prices fall 7.7% in past year

WASHINGTON (MarketWatch) -- The U.S. housing market weakened slightly in March, as resales of U.S. homes fell, inventories climbed, and prices continued to decline, the National Association of Realtors reported Tuesday.

Resales of U.S. houses and condos dropped 2% to a seasonally adjusted annualized rate of 4.93 million from 5.03 million in February, matching economists' expectations. See Economic Calendar. Resales have sunk 19.3% in the past year and are down 33% from the peak in 2005.

Existing home sales are "stable yet soft," said Lawrence Yun, chief economist for the real estate agents' trade group. Sales have stabilized in a narrow range between 4.90 million and 5.10 million in the seven months since the credit crunch hit, he said.

Inventories of homes for sale rose 1% to 4.06 million, representing a 9.9-month supply at the March sales pace. Inventories are not seasonally adjusted.

The small increase in inventories was seen as the "first glimmer of hope" by economist Harm Bandholz of UniCredit Markets, saying "excess supply of U.S. homes is not piling up further."

But others said they saw no sign of a bottom in housing. "Inventories should be going down," said Dan Alpert, a managing director of Westwood Capital, which has a fund that buys distressed mortgages. Alpert said prices would likely fall 20% to 25% ultimately, as lower prices led to lower sales, which would drive prices even lower.

"The market for existing homes has three forces working against it:" tight credit standards, a weak job market, and falling home prices, wrote Patrick Newport, an economist for Global Insight.

Inventories have been boosted by foreclosures, Yun said. Currently, 18% of homes for sale listed on the multiple-listing service have negative equity at the asking price, indicating either a short-sale or a foreclosure, he said.

The median sales price fell 7.7% in the past year to \$207,000, the second-largest price decline recorded since 1999. The median sales prices can be affected by the mix of homes sold regionally and within different price ranges. Another home price index released Tuesday that tracks resales of the same homes over time showed prices have dropped 2.4% in the past year.

Sales of single-family homes dropped 2.7% to 4.35 million and are down 18.4% in the past year. Condo and co-op sales rose 3.6% to 580,000 annual pace. Condo sales are down 25.5% in the past year. Resales fell 6.5% in the Midwest, fell 3.5% in the South, and rose 2.2% in the Northeast and West. The Commerce Department will report on sales of new homes on Thursday, with economists looking for the sales pace in March to decline to 578,000 annualized sales from 590,000 in February.