

# Another Big Gain in Existing-Home Sales as Buyers Respond to Tax Credit

Washington, December 22, 2009

Existing-home sales rose again in November as first-time buyers rushed to close sales before the original November 30 deadline for the recently extended and expanded tax credit, according to the National Association of Realtors®.

[Existing-home sales](#) – including single-family, townhomes, condominiums and co-ops – rose 7.4 percent to a seasonally adjusted annual rate<sup>1</sup> of 6.54 million units in November from 6.09 million in October, and are 44.1 percent higher than the 4.54 million-unit pace in November 2008. Current sales remain at the highest level since February 2007 when they hit 6.55 million.

[Lawrence Yun](#), NAR chief economist, said the rise was expected. “This clearly is a rush of first-time buyers not wanting to miss out on the tax credit, but there are many more potential buyers who can enter the market in the months ahead,” he said. “We expect a temporary sales drop while buying activity ramps up for another surge in the spring when buyers take advantage of the expanded tax credit, which hopefully will take us into a self-sustaining market in the second half of 2010. In all, 4.4 million households are expected to claim the tax credit before it expires and balance should be restored to the housing sector with inventories continuing to decline.”

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An NAR practitioner survey<sup>2</sup> shows first-time buyers purchased 51 percent of homes in November, compared with an upwardly revised 50 percent of transactions in October.

According to Freddie Mac, the [national average commitment rate](#) for a 30-year, conventional, fixed-rate mortgage fell to 4.88 percent in November from 4.95 percent in October; the rate was 6.09 percent in November 2008. Last month’s mortgage interest rate was the second lowest on record after bottoming at 4.81 percent in April 2009.

NAR President [Vicki Cox Golder](#), owner of Vicki L. Cox & Associates in Tucson, Ariz., said conditions are optimal for buyers in the current market. “Inventories have steadily declined and are closer to balanced levels, which indicate home prices in many areas are either stabilizing or could soon stabilize and return to normal appreciation patterns,” she said. “This means buyers still have good choices but are purchasing near the bottom of the price cycle with historically low mortgage interest rates. Throw a tax credit on top and it really doesn’t get any better for buyers with secure jobs and long-term ownership plans.”

Total housing inventory at the end of November declined 1.3 percent to 3.52 million existing homes available for sale, which represents a 6.5-month supply<sup>3</sup> at the current sales pace, down from an 7.0-month supply in October.

Raw unsold inventory figures are 15.5 percent below a year ago. The last time there was a lower supply of homes on the market was April 2006 when it was at a 6.1-month supply.

“Nearly all markets experienced a solid sales gain from one year ago,” Yun said. “The only markets with measurably lower sales were in San Diego, Riverside, and Sacramento, where inventory shortages for lower priced homes are limiting sales.”

For the second month in a row, sales have risen in all price classes from a year earlier. Prior to October, the only consistent gains were in the lower price ranges.

The national median existing-home price<sup>4</sup> for all housing types was \$172,600 in November, which is 4.3 percent below November 2008. Distressed properties, which accounted for 33 percent of sales in November, continue to downwardly distort the median price because they generally sell at a discount relative to traditional homes in the same area.

Single-family home sales jumped 8.5 percent to a seasonally adjusted annual rate of 5.77 million in November from a level of 5.32 million in October, and are 42.1 percent above the pace of 4.06 million in November 2008. The median existing single-family home price was \$171,900 in November, down 4.4 percent from a year ago.

Existing condominium and co-op sales in November were unchanged from a seasonally adjusted annual rate of 770,000 in October, but are 60.1 percent above the 481,000-unit pace a year ago. The median existing condo price<sup>5</sup> was \$178,000 in November, which is 3.1 percent below November 2008.

Regionally, existing-home sales in the Northeast rose 6.6 percent to an annual level of 1.13 million in November, and are 52.7 percent higher than November 2008. The median price in the Northeast was \$223,400, down 13.1 percent from a year ago.

Existing-home sales in the Midwest increased 8.4 percent in November to a pace of 1.55 million and are 53.5 percent above a year ago. The median price in the Midwest was \$140,800, a decline of 0.4 percent from November 2008.

In the South, existing-home sales rose 4.8 percent to an annual level of 2.39 million in November and are 44.8 percent higher than a year ago. The median price in the South was \$151,400, down 1.4 percent from November 2008.

Existing-home sales in the West increased 10.6 percent to an annual rate of 1.46 million in November and are 28.1 percent above November 2008. The median price in the West was \$231,100, which is 4.1 percent below a year ago.