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## Jan. existing home sales fall 5.3%

### Economists hope tax credit in stimulus package aids market

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Associated Press

WASHINGTON -- Sales of existing homes plunged in January to the lowest level in nearly 12 years as pessimism about the economy grew and buyers waited for President Barack Obama's plan to help revive the U.S. housing market.

The National Association of Realtors said Wednesday that sales of existing homes fell 5.3 percent to an annual rate of 4.49 million last month, from 4.74 million in December. It was the weakest showing since July 1997, and some analysts don't see sales bottoming out until later this year as prices continue to sink. Sales had been expected to rise to an annual pace of 4.79 million homes, according to Thomson Reuters.

Home sales in the Northeast plunged more than 22 percent in January from last year, the worst in the country, as the U.S. recession nailed the region's economy, the National Association of Realtors said Wednesday.

The median sales price in the Northeast tumbled almost 15 percent to \$228,200.

"If Americans are worried they won't have a job next month, next quarter, or next year, you've got a real problem," Mike Larson, a real estate analyst with Weiss Research, wrote in a research note.

Without adjusting for seasonal factors, sales nationwide fell 7.6 percent from a year earlier. The West was the only part of the country to show increased sales.

Sales had surged in December, providing some hope that the long-awaited housing market bottom was in sight. But economic fears are now paramount in the minds of many consumers.

The median sales price in January plunged to \$170,300, down 14.8 percent from \$199,800 a year earlier and from \$175,700 in December. It was the lowest price since March 2003 and the second-largest drop on record.

The number of unsold homes on the market fell almost 3 percent last month to 3.6 million, the lowest inventory level in two years. But due to the slumping sales pace, it still would take 9.6 months to rid the market of all of those properties, up from 9.4 months in December.

The number of properties on the market likely would be higher if sellers weren't so reluctant to list their properties as prices sink rapidly, Joshua Shapiro, chief U.S. economist with MFR Inc., wrote in a note Wednesday.

"With supply overhang still huge and mortgage financing difficult to obtain, home prices are likely to decline considerably further in the quarters ahead," he wrote.

Foreclosures have swamped the market -- especially in particularly distressed states like California, Florida, Nevada and Arizona. The Realtors group estimates that about 45 percent of sales nationwide are foreclosures or other distressed properties.

That's great news for buyers, who are paying the most affordable prices in years. Another boost: the combination of low interest rates and the \$8,000 first-time homebuyer tax credit tucked in the economic stimulus plan signed by Obama this month.

Lawrence Yun, chief economist for the Realtors group, said the tax credit should help boost home sales by late spring or early summer. Buyers "did not want to jump into the market until they were certain" what the government would do to resuscitate the housing market and that clearly dampened January sales, he said.

But other analysts see the stimulus providing a far more modest boost because credit standards remain tight and the economy is weak.