Housing Records Strong Performance In August

Volume and Prices Up But Headwinds to Recovery Still Remain

September 24, 2012 By William L. Pittenger, MAI, SRA

Existing home sales volume increased 7.8% in August as compared to July. Sales volume was 9.3% higher than a year ago. At 4.82 million units on a seasonally adjusted annual basis (SAAR), August volume was the highest since May 2010 during the latter stages of the second stimulus program. The single family sector performed the strongest although both major sectors; single family and condo posted solid gains according to the National Association of Realtors (NAR).

The national **median price** for all housing types, including single family, condominium unit, townhouse and co-op was $187,400. That is 9.5% higher than a year ago and the strongest gain since January 2006 when the median price rose 10.2% year over year. Single family detached home sales rose 8.0% to a seasonally adjusted annual rate of 4.3 million units. That was about 89% of the total number of sales. The median single family sale price was $188,700, slightly higher than the all housing types figure. Existing condo and co-op sales increased about 6.1% to a seasonally adjusted annual rate of 520,000 in August. That was about 30,000 more units than a month earlier.

Distress sales, which includes foreclosures and short sales, declined modestly from 24% of all sales for the month to 22%. The distress sale total was about 1.06 million units. Approximately 12% of distress sales were foreclosures while 10% were short sales. The number of distress sales and the percentage of total are declining slowly but steadily which may be in large part responsible for the rising median price. Foreclosures sold for about 19% less than otherwise similar but non-foreclosed properties while short sales sold for about 13% less. All cash sales totaled 27% of all transactions or about 1.301 million units. Of that total, investors bought 18% or around 234,252 units; primarily in the lower price ranges.

Months of **inventory** declined to a relatively normal level of 6.1 months even though listings rose 2.9% month over month. Again, the increase in listings is the strongest gain since 2010. August inventory stands at about 2.47 million residential units. Inventory is broadly balanced around the country although there is some evidence of shortages in the South and West Census Regions. Listed inventory is down about 18.2% year over year. These shortages may also be contributing to a higher median price.

In August, the median **time on the market** was about 70 days. That is consistent with July but down 23.9% from the 92 days on the market a year ago. Thirty two percent of homes were on the market for fewer than 30 days while only 19% for more than six months.

Geographically by census region, the Northeast performed the best with volume rising 8.6% to an annualized pace of 630,000 units. The median price was $245,200. The Midwest gained 7.7% more sales in August, rising to a level of 1.12 million units on a median price of $152,400. Volume is up 17.9% over the year and median price is up 7.8%. In the South, existing home sales rose 7.3% to 1.90 million units on a 6.5% increased median price of $160,100. Finally, volume in the West rose 8.3% to 1.17 million units on a median price of $242,000 which is 16.3% higher than a year ago.

Outlook. Solid gains are always welcome but the outlook for robust housing recovery remains guarded. Employment remains weak with some 12.5 million Americans unemployed; over 5.0 million of them (40%) long term which is defined as longer than six months. Wages have stagnated and household wealth is still at a near record low point after being decimated during The Great Recession. Labor force participation is at 63.5% which is its lowest point in 31 years. Foreclosures continue and will likely keep a lid on prices for several more years. None of these indicators bode well for quick and robust housing recovery.

AUGUST HOUSING STATS AT A GLANCE

Existing Home Sales Volume
4.82 million units (SAAR)
Median Price $187,400

SFR Detached 4.30 million units
Median Price $188,700

First Time Buyers 1.49 million
31% of Total Sales

Cash Purchases
1.30 million units
27% of Total | 18% Investors

Distress Sales 1.06 million units
22% of Total Sales
12% Foreclosures
10% Short Sales

Distress Gap—Foreclosure 19%
Distress Gap—Short Sale 13%

Months of Existing Home
Inventory 6.1

Median Time On Market 70 Days
SOURCE: NAR

New Home Residential Building
Permits 803,000 Total
Single Family 512,000

Housing Starts
750,000

Housing Completions 689,000
Single Family Completions
489,000
SOURCE: CENSUS

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