Existing Home Sales Down In September Up for the Year

Volume Down 1.7% Over the Month But Up 11% Over the Year

October 24, 2012 | By William L. Pittenger, MAI, SRA

Existing home sales in September once again confirmed our view that the free fall in existing home sales is over but both sales and prices would continue to fluctuate within a fairly narrow range and probably for a rather lengthy period of time. Sales volume on a seasonally adjusted annual basis (SAAR) declined to 4.75 million units over the month in September. That is down 1.7% or 80,000 units from the fractional upward revision to the August total which is now 4.83 million units. In our view, longer term performance is more meaningful than the largely inconsequential and fractional monthly changes. Indeed, sales volume is up a meaningful 11% over the 4.28 million units recorded a year ago. The 4.75 million September unit total includes all housing types; single family detached, condominium and co-op units as well as townhouse units. The single family detached 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 was $183,900 in September. That too is down fractionally from $184,900 a month earlier but up a strong 11.3% from a year ago. September marked the seventh consecutive month of year over year increases. The last time the existing housing sector experienced a similar run was the seven month period at the top of the market between November 2005 and May 2006.

Single family detached home sales volume declined 1.9% over the month to 4.21 million units (SAAR). Nevertheless, the single family sub-sector remains 10.8% higher than the 3.8 million units recorded a year ago. The national single family median price was $184,300 in September. That is also up 11.4% year over year. Condominium and co-op unit sales were unchanged in September at a seasonally adjusted annualized total of 540,000 units. That is up 12.5% from the 480,000 year ago total. The median price was $181,000.

Total **inventory** fell 3.3% to 2.32 million units at the end of September. That represents a relatively normal 5.9 month supply. Nevertheless, inventories have been contracting and that has led to shortages in certain markets, especially in the west. Listed inventory is also down 20% from its year ago levels . The average time on the market was just 70 days in September. The inventory condition requires careful monitoring as isolated supply shortages are beginning to appear and they are pushing up the median price in some areas. In the west, for example, where the shortage is most evident, the median price rose 18.4% year over year to $246,300 as volume declined by 3.4% to 1.13 million units annualized.

Distress sales, which includes foreclosures and short sales, rose modestly from 22% to 24% of all sales in September. There were about 1.14 million transactions annualized in September. The breakdown was 13% foreclosure and 11% short sale. Distress transactions accounted for 30% of all transactions a year ago so the trend is in the right direction. Foreclosures sold for about 21% less than an otherwise comparable but non-distressed home while short sales sold at an average price of 13% less.

Housing markets are tightening as indicated by months of supply now being below the six month mark; a marker generally considered to be a normal level and consistent with a normally functioning market. Nevertheless, the housing market is still not functioning normally and we fully expect more short term fluctuations in both sales volume and median price until long absent equilibrium returns to the market. While the number of distress transactions appears to be slowing, that may be deceiving as there remains a huge number of seriously delinquent loans which servicers are struggling to push through the pipeline. We expect the number of distressed transactions to rise again later this year and into 2013 and that will contribute to yet more market volatility. Our **outlook** for housing is one of "guarded optimism." While housing recovery is underway, it remains sluggish and will likely remain that way until employment rebounds.

SEPTEMBER EXISTING HOUSING STATS AT A GLANCE

Existing Home Sales Volume
4.75 million units (SAAR)
Median Price $183,900

SFR Detached 4.21 million units
Median Price $184,300

First Time Buyers 1.52 million
32% of Total Sales

Cash Purchases
1.33 million units
28% of Total | 18% Investors

Distress Sales 1.14 million units
24% of Total Sales
13% Foreclosures
11% Short Sales

Distress Gap—Foreclosure 21%
Distress Gap—Short Sale 13%

Months of Existing Home
Inventory 5.9

Median Time On Market 70 Days
SOURCE: NAR

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