

New Home Sales Up but Price Decline Continues

October brought a slight increase in new home sales while existing home sales continued their downward spiral with inventory reaching an all-time high. Additionally, prices for both new and existing homes continued to decline.

Sales of existing homes fell to a seasonally adjusted annual rate of 4.97 million units in October, the slowest sales pace on record dating back to 1999, according to a November 28 release from the National Association of Realtors. Sales of existing homes are down 20.7 percent from the 6.27 million units in October 2006. The median price of an existing home sold in October dropped to \$207,800, its lowest level since March 2005. The decline of 5.1 percent from a year ago is the largest year-over-year decrease on record. Inventory of existing homes jumped to 10.8 months supply at the current sales pace, while the number of existing homes for sale increased 1.9 percent to 4.370 million units.

Sales of new homes rose to a seasonally adjusted 728,000 homes in October, according to the Commerce Department. At the current sales pace, there is an 8.5-month supply of new homes on the market. Inventory levels continued to decline as builders have been scaling back production until the market stabilizes. The number of new homes for sale declined to 520,000, which is the lowest it has been since December 2005. In October, the median sales price for a new home fell 8.6 percent to \$217,800 from \$238,400 in September, the sharpest month-over-month decline since September 1970 and the lowest level since September 2004.

In more positive news for consumers, mortgage rates for 30-year and 15-year fixed-rate mortgages dropped to their lowest levels in more than two years, Freddie Mac reported November 29.

National average mortgage rates declined from the previous week to 6.10 percent in Freddie Mac's November 29 weekly Primary Mortgage Market Survey. Rates are now at their lowest levels since January 2006. In the week ending November 23, the MBA's seasonally adjusted Purchase Index increased to 450.1 from 424.1 in the previous week. The latest figure reflects a 6.13 percent increase from last week and a 10.67 percent increase from the same time last year.

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