

2006 DROP IS BIGGEST SINCE '89

Homes sales take a dive

Analysts: Slide may have bottomed out, but rebound could be slow

BY MARTIN CRUTSINGER
Associated Press

WASHINGTON — After a five-year boom, the nation's housing market cooled considerably in 2006 with existing-home sales falling by the largest amount in 17 years.

While the worst may be over, the rebound could be slow in coming, analysts said, given a huge backlog of unsold homes

that will keep downward pressure on prices, particularly in former boom areas.

The National Association of Realtors reported Thursday that sales of existing homes totaled 6.48 million units for all of 2006, down 8.4 percent from 2005, when 7.08 million existing homes were sold, the fifth straight year that sales hit an all-time high.

That boom drove prices up at double-digit rates and caused a stampede of investors into the market who purchased housing hoping to quickly sell the homes for big profits.

David Lereah, chief economist for the Realtors, said 40 percent

of home sales in 2005, the peak of the housing boom, represented purchases by investors and people buying vacation homes.

"A lot of those people have now left the market," Lereah said, predicting that sales have bottomed out and should start a slow rebound this year.

However, other analysts cautioned that the rebound will likely be extremely slow because it will take time for unsold inventories to be worked down and for speculators to unload homes they purchased.

"Sales are near a bottom, but prices and new-home construction will continue to fall

throughout most of this year," said Mark Zandi, chief economist at Moody's Economy.com. "I don't expect the market to show broad improvement until 2008."

Even with the sales decline in 2006, the median price of a new home managed to rise slightly last year to \$222,000, compared to a median, or midpoint price, of \$219,600 in 2005. However, the 1.1 percent price increase last year was far below the 12.4 percent price surge in 2005.

Analysts said prices are likely to continue falling in such formerly red-hot markets as California, Florida, Arizona, Nevada and the Northeast corridor.

Sales Down in West, Northeast

The slowdown in housing has been a drag on economic growth, trimming more than a percentage point from growth in the July-September quarter, when the economy expanded at a lackluster 2 percent. Still, economists believe the housing bust will not be severe enough to trigger a recession, as job growth outside the housing sectors has remained strong, helping to bolster consumer spending.

By section of the country, sales in December were down the most in the West, 9.1 percent, and the Northeast, down 2.8 percent. Sales rose by 4.3 percent in the Midwest and 0.8 percent in the South. — ASSOCIATED PRESS

Good News in Charlotte Area

Existing-home sales in the Charlotte area rose 13 percent last year, according to the N.C. Association of Realtors. The average price was up by 4 percent.

Closings through Carolina Multiple Listing Services totaled 43,389 in 2006. That's up from 38,344 the previous year.

The average closing price for homes, condos and townhouses sold through the listing service was \$221,130, up from \$212,473. The listing service serves Mecklenburg and surrounding counties.

Across the state, sales were up 3 percent compared to 2005, and the average N.C. price rose 2 percent to \$214,952. — ALLEN NORWOOD