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Bleak housing reports add to industry worries

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By any measure, including the two released Tuesday, little is coming up roses for the housing market -- locally and nationally.

In the wake of the global credit crunch, the National Association of Realtors, in its monthly existing-homes sales report, hit a couple of milestones in August: Total U.S. home sales fell to their lowest level in five years and the number of homes for sale piled up to heights not seen since 1989.

And a report widely watched by economists said home-sale prices in 10 U.S. metropolitan areas experienced a "summer swoon," slipping 4.5 percent in July from the year before, to a 16-year low. A separate report of 20 cities showed prices down 3.9 percent between July 2006 and July 2007.

Those reports, part of the Standard & Poor's/Case-Shiller Home Price Index, said Chicago prices had dropped, too, but only slightly and less than in other cities. In July, single-family home prices here fell about 1 percent from their July 2006 levels.

Chip Wagner, a Naperville appraiser, confirmed that prices here are holding up: Single-family closings average $344,351, about 3 percent higher than a year earlier. And, he said, sellers' asking prices appear to be on the way down, which might generate some momentum.

"People have become more realistic on their pricing," Wagner said. "The average price of a house for sale today is $436,000; a year ago it was $467,000."

Local real estate agents echoed this.

"Sellers out there now really want to sell," said John Veneris, a Realty Executives broker in Downers Grove. "They're getting less than they had wanted, but they're happy to get them sold."

Still inventory continues to climb in the area.Wagner said the number of single-family homes listed for sale in the Multiple Listing Service of Northern Illinois as of Tuesday had surged to nearly an 11-month-supply, up from about seven months a year earlier.

"I hate to throw salt into the wound to show how bad it has gotten, but we have almost doubled the number of active listings since September 2005," when the nation's housing boom peaked, he said.

The number of single-family homes under contract Tuesday in the Chicago area had slid 19 percent from a year earlier and 38 percent from September 2005, Wagner said.

Nationwide, the NAR said the home sales pace was nearly 13 percent slower than a year ago. The inventory of homes for sale climbed to a 10-month supply nationwide, up from 9.5 months in July and the highest since February 1988, the group said.

Lawrence Yun, chief economist for the Realtors, said the increase in inventory amounts to one-half of 1 percent in August, to 4.58 million.

"The unusual disruptions in the mortgage market, including a significant rise in jumbo loan rates, resulted in a fairly high number of postponed or canceled sales," he said. "The good news is that the housing market didn't collapse in August," said Patrick Newport, U.S. economist for Global Insight in Lexington, Mass. "The bad news is that the worst may be just ahead. August's sales do not reflect the full impact of the credit crunch, which hit financial markets in mid-month, since most sales were financed with loans approved weeks beforehand."

Scott J. Brown, chief economist for Raymond James & Associates in St. Petersburg, Fla., goes further, predicting weakness into next year. "Here in Florida, it's a horror show."

The Florida Association of Realtors reported Tuesday that August sales of existing single-family homes were off 26 percent from a year earlier with the median sales price down 6 percent. In some Florida cities, including Miami, single-family sales were off 45 percent or more.

Many economists regard the S&P/Case-Shiller data, reflecting the drop in home prices, to be a truer barometer of the market than the Realtors report. That's because it tracks repeat sales -- price changes for a fixed pool of homes sold more than once over a number of years.

Even with the market in decline, the Case-Shiller data showed that Chicago-area homes had appreciated in value about 66 percent since January 2000, before the boom.

"The weak home prices really hit the people who have recently bought," said economist Brown. "If you've been in your home three or five years, you're still ahead of the game in most places."

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