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# Existing Homes' Median Price Falls

*Decline Is First Since 1995  
As Sales Continue to Slump;  
Risk to Broader Economy*

By MICHAEL CORKERY

Home sales continued to decline last month, and the nation's median home price dropped for the first time in more than a decade.

The National Association of Realtors said existing, or previously owned, homes changed hands at a seasonally adjusted annual rate of 6.3 million units in August. That was down 0.5% from July and 12.6% from a year earlier.

Last month's sales decline was steepest for condominiums and cooperatives, with sales down 3.5% from July and 14.5% from August 2005. Sales of single-family homes were unchanged from July but were down 12.3% from a year ago.

In the Northeast, existing-home sales rose 1.9% last month, while the median price dropped 3.9% from a year earlier. Existing-home sales in the Midwest increased 0.7% last month, and the median price fell 1.1% from a year earlier. In the South, existing-home sales declined 0.8%, while the median home price was down 2.6% from a year ago. Sales in the West dropped 2.3%, while the median price rose 0.3%.

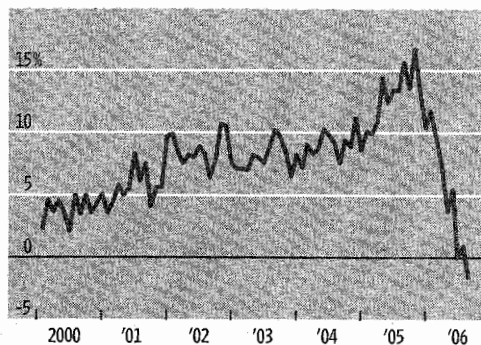
The median sales price of an existing home was \$225,000 in August, down 1.7% from a year earlier. That was the first year-to-year price decline since 1995 and the second sharpest in the nearly 40 years the data have been collected.

Prices fell faster for condominiums than for single-family homes. In August, the national median price of a single-family home fell 1.7% from a year ago to \$225,700. The median price of an existing condominium fell 2.4% from a year earlier to \$223,200.

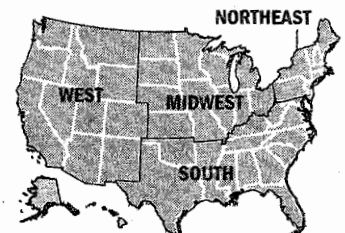
Economists had been expecting a price correction for some time, after

## Sinking Feeling

Year-to-year change in median home prices



Sources: National Association of Realtors; Moody's Economy.com



By region, August 2006



months of slowing sales and an erosion of confidence among home buyers. David Lereah, the National Association of Realtors' chief economist, said the price decline will help the housing market by making homes more affordable and by helping to reduce rising inventories of unsold homes.

"This is a sellers' market turning into a buyers' market," Mr. Lereah said.

Falling prices have a flip side. If their homes are worth less, consumers may feel less wealthy and therefore spend less on goods and services, a worrisome trend for the broader economy.

"We have to acknowledge that this is a clear risk to the consumer," said Haseeb Ahmed, U.S. economist at J.P. Morgan Chase & Co. In the short term, he said the recent drop in gasoline prices should offset the effect of declining home values.

The inventory of unsold homes rose 1.5% last month to 3.9 million housing units, a 7.5-month supply at the current sales pace, and the biggest supply since April 1993. The increase was smaller than in July, when inventories rose 3.2%.

Some economists say prices will have to continue to fall before a sizable number of buyers jump back into the market.

Separately, the Federal Reserve reported banks and hedge funds boosted their lending to larger borrowers this year, while the percentage of problem loans remained relatively low.

In a trend the Fed said reflects increased merger-and-acquisition activity, the volume of syndicated credits—in which three or more lenders team up to make a large loan—reached \$1.9 trillion in the second quarter, up nearly \$250 billion, or 15.2%, from a year earlier. The share of problem credits rose to 5.1% from 4.8%.

Nonbank institutions, such as hedge funds, brokerages and insurance companies, accounted for 14% of all loan commitments in the second quarter, up from 2% 10 years ago. The share of problem credits among nonbank institutions stood at 11.8% as of the second quarter.

—Mark Whitehouse  
contributed to this article.

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