

Steady Climb Seen for Existing-Home Sales

Consumers are beginning to respond to more favorable housing market conditions, with existing home sales expected to steadily increase into 2008, according to the latest forecast by the NATIONAL ASSOCIATION OF REALTORS®.

“After reaching what appears to be the bottom in the fourth quarter of 2006, we expect existing-home sales to gradually rise all this year and well into 2008,” says David Lereah, NAR’s chief economist.

Existing-home sales, which reached the third-highest total on record of 6.48 million in 2006, are forecast at 6.44 million in 2007 and 6.64 million in 2008.

New construction, on the other hand, will take longer to recover. Following a fourth-best 1.06 million in 2006, new-home sales projected to decline to 961,000 this year and then rise to 971,000 in 2008. “We look for that sector to turn around later in the year,” Lereah adds.

Among the other key highlights of NAR’s new forecast:

- **Housing starts** are likely to total 1.52 million in 2007, down from 1.80 million units in 2006, and then increase to 1.56 million next year. “When new home demand begins to catch up with supply, builders will slowly increase construction — probably in the second half of this year,” Lereah says.
- **The 30-year fixed-rate mortgage** is forecast to rise to 6.7 percent by the second half of the year. Freddie Mac reported the 30-year fixed rate at 6.14 percent in December, but it has been trending up since. “Mortgage interest rates remain favorable, and a gradual rise means potential buyers have some time to weigh purchase decisions,” Lereah says. “When existing-home supplies become more balanced between buyers and sellers this spring, we’ll see some modest price gains.”
- **The national median existing-home price** should grow 1.9 percent to \$226,200 in 2007, after rising only 1.1 percent in 2006. The median new-home price is expected to increase 1.8 percent to \$249,800 in 2007, following a similar gain last year. Stronger gains are forecast for 2008, with existing-home prices rising 3.2 percent and new-home prices increasing 3.4 percent.
- **The unemployment rate** is seen to average 4.7 percent in 2007, compared with 4.6 percent last year. Inflation, as measured by the Consumer Price Index, is projected at 2.0 percent this year, down from 3.2 percent in 2006, while growth in the U.S. gross domestic product is likely to be 2.8 percent in 2007, down from 3.4 percent last year. Inflation-adjusted disposable personal income will probably rise 3.7 percent in 2007, up from a gain of 2.7 percent in 2006.