

Home Sales Surge, Raising Hope That Sector Is Recovering

By Dina ElBoghdady and Renae Merle
Washington Post Staff Writers
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More homes sold more quickly in the Washington area during the second quarter than in the period a year ago, while home prices showed some signs of stabilizing, according to a real estate industry study scheduled for release Tuesday.

The local trend jibes with some national statistics released by the federal government Monday, which show that sales of newly built homes surged 11 percent in June from the previous month, the largest monthly gain in nine years. Sales of previously owned homes also jumped 3.6 percent in June, the third-straight month of increase, according to industry data released Thursday.

The pickup in sales regionally and nationally is most likely driven by buyers rushing to take advantage of record-low interest rates, a newly enacted temporary tax credit for first-time home buyers, and the rock-bottom prices in areas hit hard by foreclosures.

The data have sparked hopes that the housing sector may soon stop dragging down the U.S. economy. But even as sales volume soars, the housing market is nowhere near healthy and home prices continue to fall nationally and locally, analysts said.

"This is a really lousy market," said Patrick Newport, an economist with IHS Global Insight. "The sales are growing in part because prices are dropping, but the sales are still near all-time lows."

In the Washington area, quarterly prices remained lower than they were during the comparable period last year, according to a study scheduled for release Tuesday by research firm Delta Associates and the local Multiple Listing Service.

The average home price dropped 8.7 percent in the region's "core" area -- the District, Arlington and Alexandria. It fell 14.8 percent in the close-in suburbs of Fairfax, Montgomery and Prince George's counties, and Falls Church and Fairfax cities. The outer suburbs -- Prince William, Loudoun and Frederick counties -- experienced the steepest price drop, 15.7 percent, because they have been hit hardest by aggressively priced foreclosures.

The report also concluded that there are some signs of strength in area prices. Last year, prices were flat from the first quarter to the second quarter, said **Ann Marchand Thompson, a senior associate at Delta Associates**. This year, prices jumped 12 percent from quarter to quarter.

"So last year, we saw lots of volume but prices were stagnant," she said. "This year, there's increased volume and increased prices. This shows signs of a recovery."

Also, second-quarter prices in most local jurisdictions rose from the first quarter to the second quarter, another bright spot, according to the report. The area's average price was \$382,515 in the quarter, up 12.1 percent from the previous quarter but down 13.2 percent from the corresponding period last year.

The local report is based on data from the Metropolitan Regional Information Systems, the local listing service where real estate agents market homes for sale. It does not include yet-to-be listed foreclosures, homes for sale by owners and other types of homes for sale. But it offers a reliable representation of market averages, the study's authors said.

The national statistics are based on a monthly report from the Commerce Department, which showed that median new home prices fell about 12 percent in June to \$206,200 compared with June 2008. The same report showed that sales of new homes rose 11 percent in June from the previous month to an annualized rate of 384,000. That was far better than the 2 percent increase analysts were expecting, but sales were still down 21.3 percent compared with the corresponding period last year.

But new homes are languishing on the market. The median time that a new home sits on the market before selling rose to an all-time high of 11.8 months nationally, said Newport, the IHS Global Insight Analyst.

Locally, homes sold on average in 93 days during the quarter, down from 110 days in the previous quarter and 103 days a year ago, the study says. Homes are selling the fastest in the District, Arlington and Alexandria. They are selling the slowest in the inner suburbs of Fairfax, Montgomery and Prince George's counties, and Falls Church and Fairfax cities.

Meanwhile, the volume of sales in the region increased 7 percent from a year ago, jumping most sharply in foreclosure-plagued areas in the outlying suburbs

The rise in sales is helping clear out the excess supply of homes in the area, another key to helping turn around the housing market.