

Across the nation, local-area press releases published this week on July home sales indicate volume was much lower than I expected. Included in this note are my reasons (as expressed in my "August Surprise" note released on August 2nd) why the sharp drop may catch the market off-guard despite a weak number being fully expected and eight very recent home sales press releases from cities across the nation highlighting the extent of the decline...Greenwich, CT included! It's comforting to know that our tax dollars were spent fairly across all socio-economic boundaries.

Despite Rhetoric to the Contrary by Those Who Want to Believe in an Organic Housing Recovery, the Tax-Credit was a Significant Driver of Incremental and Pulled-Forward Demand

After going through various local area July house sales reports around the country in order to square our in-house sales data for July, I have concluded that my early July Existing Home Sales estimate released on August 2nd, showing significant declines on a sequential and yearly basis, was too conservative. In my report I made the case that when NAR releases their monthly report on Tuesday, Aug 24th -- the first post tax-credit Existing Sales report but the third New Home Sales report, both released coincidentally on the same day -- that investors may be caught off-guard by the weakness like they were when the first post-credit New Home Sales data was released in June despite consensus calling for a plunge. Granted, the S&P was 30 handles higher then but if sales are considerably weaker than expectations, it could still be quite a surprise.

Excerpt from "8-2 The August Surprise"

In recent weeks consensus has begun to snap back from moving towards "double dip" in May & June to somewhere between "a double-dip in not likely?", "the bottom is in?", and a "sustained post tax-credit recovery is underway?". There is even faction that just doesn't think housing matters any longer?many of the same who think jobs don't matter I am sure. Over the weekend, Greenspan comments tying a potential economic "double-dip" to the health of housing gave latter solace.

With all the noise surrounding post tax-credit New Home Sales (NHS) over the past two months -- and the economist's overestimation of last month's Existing Home Sales (EHS) -- it is obvious **there is a lot of confusion** over the tax credit-sunset, tax-credit closing lag periods, closing velocity of the various types of sales (organic, foreclosure, and short) and length of time to close loans associated with the various sale types.

This confusion should create unexpected volatility when the July data are released in three weeks, as this is when the first month of post tax-credit EHS pain was felt due to sales being counted at closing, not at contract like NHS.

And by the time July EHS data are released -- on Aug 24th, **nearly full four months following the April 30th tax-credit sunset** and not coincidentally the exact day the third post tax-credit NHS report is released -- the correlation between the large sales volume swing and the end tax-credit will not be made by as many.

This sets up the surprise. August will not only usher in the largest MoM busy-season drop in EHS volume (July sales) in modern history, but also the largest MoM NAR reported median and average house price decline and Month's Supply increase.

RECENT LOCAL AREA JULY HOME SALES PRESS RELEASES

1) Home sales in county tumble 48 percent in July (Clark County, WA)

Realtors cite end of federal tax credit

By Cami Joner
Columbian Staff Reporter

Thursday, August 15, 2010

Clark County home sales plummeted in July, sparked by the end of a federal tax credit that ended in June, according to a housing report released Thursday.

Realtors say the 48 percent drop in sales from June to July has ushered in a new standoff between buyers and sellers, which are often banks holding defaulted mortgage loans. To minimize losses, the banks want the homes to fetch the highest price possible. But potential buyers "battered by falling investment portfolios, wage freezes and high unemployment" are still holding out for rock-bottom prices.

The face-off intensified just after the June 30 cutoff date for 2010 home buyers' tax credits of up to \$8,000, said Tracie DeMars, a Vancouver-based Realtor with Re/Max Equity Group Inc.

"People (potential buyers) are saying they are just going to wait now," she said.

Stalled sales

Home sales are now expected to suffer over the next several months, similar to the initial slump in automobile sales at the end of the federal government's \$3 billion "cash-for-clunkers" program last September.

Values languish

Meanwhile, home values held steady in July. The median price "half sold for more, half for less" was \$212,369 for all homes sold in July, benchmarks reported. The median represented a 1.2 percent drop from the same month in 2009 and a decline of 2 percent from June.

2) Des Moines July home sales fall nearly 50%

By DONNELLE ELLER
deller@dmreg.com
August 14, 2010 11:36 AM

Des Moines area home sales in July tumbled nearly 50 percent compared with June and fell 42 percent compared with a year earlier, the Des Moines Area Association of Realtors said today. The group said home-buyers "took a breather" after rushing to take advantage of federal tax credits this spring. Home sales fell 49 percent to 515 in July from 1,015 in June. In July 2009, sales were 890.

"It appears things have returned to a more normal pace for home sales," said Joanne Mangold, the group's president. "Based on June and July numbers for pending sales, we should see closed contracts go up again slightly for the next two months." July's pending sales - 594 - were 1.4 percent above June but 35 percent below July 2009, the report shows. The average sale price fell \$5,356 - 3.1 percent - to \$167,154 in July from June. Last month's average sale price was \$1,859 above the average a year ago. Homes were on the market an average of 94 days, nine more days than in June but 11 fewer than a year ago. The number of active listings in July grew by 88 to 5,883 in June, which had 5,795 homes on the market. Des Moines also had 5,795 homes listed in July 2009.

3) Portland-area closed sales of homes fall 30% in July

Published: Monday, August 16, 2010, 7:00 PM Updated: Monday, August 16, 2010, 7:21 PM

Economic uncertainty and the expiration of federal homebuyers' tax credits slammed the Portland-area real estate market in July.

The number of closed home sales in the month reached 1,412, a 29 percent decline from July 2009 and a 29.8 percent decline from the prior month, according to numbers compiled by the Regional Multiple Listing Service.

The sudden slowdown sent the inventory of available homes soaring from 7.3 months to 10.8 months.

"With the inventory rate's staggering jump to 10.8 months, it feels like the bottom just fell out," said Dustin Miller of Realty Trust. "Buyers right now are being choosy even if it means waiting for the right house to come along rather than buying something now."

4) July home sales in KC area drop considerably - down 39%

By KEVIN COLLISON

The Kansas City Star

Posted on Wed, Aug. 18, 2010 10:55 PM

Kansas City area home sales dropped significantly in July from last year, as the market sought a more "normal" level after the expiration of a federal tax credit incentive. There were 102 new homes sold in the metropolitan area last month, down 61 percent from July 2009, according to the Kansas City Regional Association of Realtors. An additional 1,537 existing homes sold in July, down 39 percent.

The average new-home sales price in July was \$331,567, up 7 percent from 2009. The average existing-home sales price was \$157,488, down 2 percent.

The report does not include homes sold by their owners.

The Realtors group attributed the market volatility to the aftermath of the homebuyer tax credit program that required buyers to have homes under contract by April 30 and closed by Sept. 30.

With new homes inventory continuing to decline 1,557, down 37 percent from 2009 the association projected new home prices will increase more quickly than prices of existing homes. The existing home inventory in July was 15,935, up 14 percent from a year ago.

5) Lehigh Valley home sales fall off a cliff, down 47% **Expiration of federal tax credit, economy and consumer confidence were key factors.**

By Scott Kraus, OF THE MORNING CALL
10:44 p.m. EDT, August 18, 2010

Lehigh Valley home sales plunged in July, at least partly because of the expiration of a federal tax credit that initially required first-time home buyers to complete their purchases by the end of June.

Despite historically low mortgage interest rates, sales were down 41.7 percent compared with July 2009, 35.6 percent compared with July 2008 and 47 percent compared with June, according to the Prudential Patt White HomeExpert Market report.

6) July home sales reverse trend, skid by 37 percent (Charleston)

Monday, August 16, 2010

The local housing market is still awash with too much inventory, including bank-owned properties like this one in the Long Point subdivision in Mount Pleasant.

The momentum that had been lifting local home sales in recent months came to a jarring halt in July, raising questions about the long-awaited recovery of the residential real estate market.

Newly released data from the Charleston Trident Association of Realtors showed 643 area homes sold during July, a striking drop-off from the 1,022 transactions recorded in June. The decline followed the expiration of federal tax credits for homebuyers.

Local agents say they were expecting a drop but they're struggling to grasp how long the dip will last and how quickly the momentum generated by the temporary tax subsidies will return.

7) Wichita-area home sales drop off sharply in July - Down 39%

BY BILL WILSON

The Wichita Eagle

New- and existing-home sales in the Wichita area tailed off dramatically in July, down almost 300 units from a year ago and about 350 from June.

A total of 559 new and existing houses were sold in July, down from 896 in June and 847 in July 2009, according to statistics from the Wichita Area Association of Realtors and the South Central Kansas Multiple Listing Service.

Existing-home sales fell to 517 units in July, down from 769 in June. New-home sales plummeted to 42 units in July, down 85 from June and the lowest number since January's 39.

The drop-off feeds theories that most of the Wichita market's activity for 2010 will be before the April 30 contract deadline to qualify for federal tax credits, said John McKenzie, president of Wichita's Coldwell Banker Plaza Real Estate.

8) It is comforting to know our tax-dollars were so significant to sales across all socio-economic boundaries. "Spring seems to have come in June" said one Realtor in Greenwich, CT.

Greenwich Home sales up through July, but down from June peak, down 17%

Lisa Chamoff, Staff Writer

Published: 08:44 p.m., Monday, August 16, 2010

Like many people, the Greenwich real estate market took a bit of a vacation last month.

There were 337 single-family home sales through July, enough to outdo the first seven months of 2009 by 102 percent. Through June of this year, there were 273 sales, more than double 2009's figures, according to data from Prudential Connecticut Realty.

John Cooke, a broker who compiles data for Prudential, said the spring market is historically better. Spring seems to have come in June, with 76 home sales, versus 49 in May and 40 in April of this year. Last year, sales peaked in July, with 56 transactions.

"I think we'll see a good fall," Cooke said.

Best Regards,

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