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Home resales drop for second consecutive month

In January, 7.2% fewer previously owned homes sold in January than December, which was down from November, the National Assn. of Realtors reports.

February 27, 2010 | By Alejandro Lazo

If you're still having trouble selling your house, you're not alone.

Sales of previously owned homes in January stumbled considerably for the second consecutive month. The National Assn. of Realtors in Washington said Friday that sales fell 7.2%.

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January sales were the lowest since June but 11.5% higher than in January 2009.

Previously owned homes make up the bulk of the nation's buying activity. Economists said that last month's sales drop from December was another sign the market is critically weak and unlikely to recover robustly this year as the potential for more foreclosures looms.

Friday's report follows news this week that sales of newly built homes hit a record low in January and that mortgage applications plunged to their lowest level in nearly 13 years.

The poor-sales data on all these fronts indicated that Congress' attempt to stimulate the market by extending and expanding a home-buying tax credit through April was having little to no effect on consumer sentiment, economists said.

The credit was extended in November as it neared its expiration and buyers were flooding the market, boosting sales.

"The tax credit wore off," said economist Christopher Thornberg, a principal with Beacon Economics in Los Angeles. "Now that the tax credit has been extended, it is no longer functional."

"We will get a push close to the end of it, probably in March."

He said sales could plunge after the tax credit expires April 30.

The Realtors group's data are based on its proprietary multiple listing service. The group reports an annual sales pace every month that is adjusted to take into account seasonal variations.

Last month's sales pace was 5.05 million units for the year, the Realtors group said, meaning that many units would be sold if January's rate carried through for the rest of the year.

The dour housing news came as the government reported that the U.S. economy grew at a slightly faster pace in the final three months of 2009 than estimated.

Gross domestic product rose at an annual rate of 5.9% in the fourth quarter, according to the U.S. Commerce Department. That was up 0.2% from the previous estimate reported by the department.

Private inventory investments, exports, personal consumption expenditures and nonresidential fixed investment were the biggest contributors to that growth, even as imports increased.

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Most of that growth was related to business inventory restocking, a temporary factor that is expected to fade in the coming months.

In the Realtors group's report, the number of existing homes for sale at the end of January fell 0.5% to 3.27 million. That represents a 7.8-month supply at the current sales pace, up from a 7.2-month supply in December. Raw inventory is at its lowest level since March 2006.

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Washington policymakers have taken several measures to support the housing market, keeping interest rates low and insuring mortgages for many buyers through the Federal Housing Administration. Last year the Obama administration launched a \$75-billion effort to reduce mortgage payments for troubled borrowers, though that program has struggled to make mortgage relief permanent.

Foreclosure properties and other distressed homes remain a big part of the market, accounting for 38% of sales last month and contributing to a drop in prices. The national median price was \$164,700 in January, an 8% decline from \$178,300 in December, but unchanged from a year earlier.

"For people trying to sell their homes, they are going to be competing with distressed home sales," said Celia Chen, a housing economist with Moody's Economy.com. "In order to really understand or predict when the housing market will recover we need to have a good handle on when foreclosures are going to hit the market, and I think there is a lot of uncertainty around that."

Regionally, previously owned home sales fell 5.2% in the West, 7.4% in the South, 6.9% in the Midwest and 10.9% in the Northeast.

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