BUSINESS

Home sales dip; still near high

Numbers in May highest since November 2009

Staff, wire reports

Existing home sales slipped 1.2 percent to 5.08 million units in June, well below 5.26 million anticipated by surveyed economists, TD analysts said Monday.

The slowdown in sales was driven by a deceleration in both single-family and condo/co-op, which declined by 1.1 percent and 1.7 percent, respectively, said TD economist Thomas Feltmate.

"While this morning's release came as a surprise to everyone, existing home sales still remain comfortably above the 5 million threshold," Feltmate said in a research report.

The National Association of Realtors said sales fell 1.2 percent last month from an annual rate of 5.14 million in May. The NAR revised down May's sales, but they were still the highest since November 2009.

Despite last month's dip, home sales have surged 15.2 percent from a year ago. Sales have recovered since early last year, buoyed by job gains and low mortgage rates.

Still, mortgage rates have surged in recent weeks over concern that the Federal Reserve could slow its bond-buying programs later this year. The Fed's bond purchases have helped keep long-term mortgage and other rates low.

Higher mortgage rates slowed sales last month of higher-priced homes in states, such as California and New York, the Realtors group said. The average rate on a 30-year fixed mortgage leapt to 4.46 percent by the end of June from 3.81 percent at the end of May. The rate was 4.37 percent last week.

That rate increase could hamper sales in coming months, economists said. But most expect housing to continue to recover, though at a slower pace.

"There's little doubt the housing market slowed in the summer as mortgage rates rose," Dan Greenhaus, chief global strategist at BTIG LLC, an institutional brokerage, said in a note to clients. "Housing is still expected to grow and contribute to economic output. It just may not be at the pace we've seen of late."

Sales of previously occupied homes in June reflect contracts that were mostly signed in April and May, when mortgage rates were lower. Rising rates can cause some signed contracts to fall through if buyers no longer qualify at higher rates.

The one factor that's likely most holding back sales is a limited supply of homes available. Though more sellers put their homes on the market in June, the supply remained unusually low — nearly 8 percent less than a year ago. At the current pace, the number of homes for sale would be exhausted in 5.2 months. That's below the six months' supply that's consistent with a healthy housing market.