Home sales fall to 2011 low

BY DEREK KRAVITZ
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WASHINGTON — Fewer ople bought previously cupied homes in May, wering sales to their akest point of the year. Home sales sank 3.8 rcent last month to a asonally adjusted an- ial rate of 4.81 million mes, the National As- ciation of Realtors said esday. That's far below e roughly 6 million an- ial sales rate typical in althy housing markets. Since the housing boom ent bust in 2006, sales ve fallen in four of the st five years. Analysts y they expect sales to vel off at about 5 million year. That's not much tter than the 4.91 mil- n homes sold last year, e worst showing in 13 ars.

The depressed housing arket has weighed on e broader economy. De- ining home prices have pt people from selling their houses and moving to find jobs in growing areas. They have also made people feel less wealthy. That has reduced consumer spending, which drives about 70 percent of economic activity.

One sign of the housing industry's struggles is that fewer first-time buyers are entering the market. The number of first-timers ticked down to 35 percent of sales last month. In healthy times, they drive about half of sales.

First-time buyers are critical because they tend to improve their properties and invest in their communities, a combination that raises home values. And their purchases allow sellers to move up to pricier homes.

Instead, the market has been saturated with foreclosures, which force prices down. Sales of homes at risk of foreclosure fell in May. But they still made up 31 percent of all purchases. And many pending foreclosures are backlogged in the courts or held up by state and federal probes into questionable foreclosure practices by lenders.

Until the glut of foreclosures are cleared and people think it's a safe time to buy, "it is unlikely that home prices can recover on a sustained basis," said Steven Wood, chief economist at Insight Economics.



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A "sold" notice is posted on the "for sale" sign of a house, in Seattle. Fewer people purchased previously occupied homes in May, bringing sales down to their lowest level of the year.