

Fannie Mae expects home sales to rise next year



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Home sales will hit bottom by the end of the fourth quarter and trend upward in 2011, according to a recent **Fannie Mae** economic report. The firm said purchase activity will depend strongly on labor conditions, but that it expects a modest yet solid recovery to manifest in 2011.

Total home sales are expected to decline by 8% for the year compared to 2009, and then increase by 3% in 2011.

According to the report, 2010 total sales are expected to hit 5,112 homes — 330 new homes and 4,782 existing homes. Distressed sales accounted for one-third of existing home sales in the third quarter.

Fannie Mae predicts that home sales will reach 5,271 in 2011 (up 3%) and 5,704 in 2012 (up 8%).

Despite policy aimed at keeping homeowners in their homes, the homeownership rate in the third quarter of 2010 was at the lowest point since 1999, according to Fannie Mae. The rate remained flat from the second quarter at 66.9%. The report said the homeownership rate decreased steadily since its peak at 69.2% in 2004.

In accordance with this data, Fannie Mae reported that the homeowner vacancy rate remained at an elevated level in the third quarter at 2%. This measures the share of housing units that are typically owner-occupied but are vacant and for sale. The vacancy rate reached its peak in 2008 at 2.9%.

Vacancy rates in rental properties, in contrast, are declining, down to 10.3% in the third quarter from 10.6% in the second. The rate has been steadily improving since the fourth quarter of 2009 when the rate was 11.1%.

Fannie Mae cautions, however, that the rental vacancy rate is extremely volatile so it is hard to determine what the normal rate is.

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