



UPDATE 1-California home sales down 24 pct in January

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By Jim Christie

SAN FRANCISCO, Feb 28 (Reuters) - California's housing market is slowing as analysts had predicted, underscored by a slump in home sales in January, according to the California Association of Realtors.

Sales of existing, single-family detached homes in California totaled 500,470 at a seasonally adjusted annualized rate in January, down 24.1 percent from a year earlier and 5.9 percent from December, according to the report from the association.

The declines reflect a weakening in consumer confidence, and a rise in mortgage interest rates which have sidelined nervous home buyers, the association said.

"We have now seen three months in a row where sales have dropped more than expected," said Robert Kleinhenz, an economist with the association. "At least some home buyers have adopted a wait-and-see attitude."

Declining sales had been expected. January is a slow month for sales and financing for home purchases is becoming more challenging with interest rates on the upswing and home prices holding at lofty levels.

"Mortgage brokers are not as busy, real estate brokers are not as busy," said Kevin Clay of Reign Companies, a San Carlos, California-based real estate and financial services firm. "There seems to be a decrease in activity overall."

The median price of an existing, single-family detached home in California, which has seen some of the largest price rises of any regional U.S. housing market in recent years, was \$551,300 in January, up 13.8 percent from a year earlier and 0.5 percent from December, according to the realtors group.

The group expects sales to pick up as the market enters its busy season and home buyers adjust to mortgage rates above the psychological threshold of 6 percent.

Thirty-year fixed mortgage rates averaged 6.15 percent in January, up from 5.71 percent a year earlier, and adjustable mortgage rates averaged 5.17 percent last month, up from 4.12 percent a year earlier, the group noted.

"Buyers will get serious again because rates are still relatively attractive, but I don't think it'll be a steaming market," said **Mark Riedy, executive director of the Burnham-Moores Center for Real Estate at the University of San Diego.**

"Prices for existing housing will continue to trudge up a little bit, by 5 percent to 7 percent a year, but not at double-digit numbers," said Riedy, a former president of Fannie Mae.

Realtors expect home buyers to have more choices. "The number of homes for sale has risen to six months' worth of supply, which will translate into a slower rate of price appreciation than we experienced in 2005," Appleton-Young said.

The inventory of homes for sale could swell as new homes nearing completion come on the market, and as home owners who believe mortgage rates will head higher rush to list houses before financing tightens, said Bob Edelstein, co-chair of the Fisher Center for Real Estate and Urban Economics at the University of California, Berkeley.