



REAL ESTATE CENTER

News Release

Revised Data Show 13 Percent Overstatement in Home Sales

By Bryan Pope, Associate Editor, Real Estate Center
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COLLEGE STATION, Tex. (Real Estate Center) — Total existing homes sold nationwide has been overstated by about 13 percent a year since 2007, according to revised data released yesterday by the National Association of Realtors (NAR).

“On average, the revised data reflect that previous estimates of home sales were overstated by roughly 685,250 units per year,” said Real Estate Center Research Economist Dr. Jim Gaines.

According to NAR’s revised data, total 2008 sales were overestimated by more than one million but 2007 sales by only 144,000.

Single-family sales were revised downward by about 14 percent (626,000), on average, and condominium sales were lowered by 18 percent.

Gaines noted that the revised data also reflected a substantially different pattern of annual sales.

“The revised data showed 2008 total existing home sales fell 18.5 percent from 2007, while the original report indicated sales declined only 0.2 percent,” Gaines said. “For 2009, revised figures show total sales actually increased 5.6 percent, while original figures showed a decline of 0.3 percent.”

In 2010, total existing U.S. home sales fell a revised 3.5 percent (versus an originally reported 4.8 percent), and new home sales declined 14 percent. Total home sales for 2011 are expected to show an increase of about 2 percent; new home sales may rise about 6 percent.

The estimated number of properties offered for sale – the inventory of for-sale units – was also adjusted to reflect the new methods of counting. The revisions to the inventory estimates, however, were not as great as for the sales, so that the estimated month’s inventory of supply was revised upward for the years 2008 through 2010 by more than a full month. The estimated 2010 months inventory, for example, is now estimated at 9.4 months rather than the originally reported 8.2 months.

NAR revised its data to reflect adjustments to their methodology and to make the data more accurate. The revisions were only to sales and inventory. No adjustments were made to estimated average or median prices.

Perhaps the most significant implication for the revised data is that the housing market may take longer to recover than originally anticipated. Fewer annual sales means that it will take longer to

clear the market of any excess inventory or potential “shadow” inventory (existing REO plus pending foreclosures and short sales over and above normal listing inventory).

Previously, existing home sales had been estimated to be hovering around 5.1 million units per year. The revised data suggest that existing home sales have actually been around 4.4 million units per year, or about 700,000 fewer sales per year than previously believed. If the excess or “shadow” inventory is around, say, two million units, the required time to clear the excess just increased by an additional 5.5 months.

“None of the adjustments made by NAR affect the sales, listings or months inventory information prepared by the Real Estate Center,” said Gaines. “We report the numerical sales data provided to us by each local MLS. We do not make any adjustments to estimate total market sales, and we do our best to avoid including duplicates or the same sale reported by more than one MLS.”

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Note to Editors

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