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## Sales Slow for Homes New and Old

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By [JEREMY W. PETERS](#)

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Selling a new home is getting harder and harder: just ask the builders who are being forced these days to entice potential buyers with expensive inducements like free swimming pools and fancy kitchen cabinets.

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Mark Lennihan/Associated Press

A homeowner in Chappaqua, N.Y., is trying to sell his property just as the national market for homes is starting to favor buyers. Sales for existing homes fell in June for the third consecutive month.

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At the same time, the torrid pace in the existing-home market is slackening, as prices are leveling off and properties are staying on the market a lot longer than they used to.

Adding it all together, a variety of experts now say, the housing industry appears to be moving from a boom to something that is starting to look a lot like a bust.

“Housing has had a great five-year run,” said Edward Yardeni, chief investment strategist for Oak Associates, a money management firm in Akron, Ohio, and a longtime bull on the economy. While he still does not expect a housing downturn to damage the overall economy severely, he predicts that the housing industry itself is entering a longer decline.

“Instead of being a seller’s market,” he said, “it became a buyer’s market. And once the psychology changes, it could take a while to reverse. Buyers recognize there’s no need to rush out to buy a home.”

The latest housing data, released yesterday by the [National Association of Realtors](#), made clear that a significant slowdown is under way. It showed that the sales pace for existing homes fell for a third straight month in June — the ninth monthly decline since hitting a record last June.

On a seasonally adjusted annual basis, the rate of existing-home sales dropped to 6.6 million, down from 6.7 million in May and well below the record 7.3 million pace reported last June. The number of existing homes still on the market, meanwhile, grew to a record of 3.725 million units, representing a 6.8-month supply at the June selling pace, up from 6.4 months in May.

The shift of the upper hand from seller to buyer is showing up in home prices. Last month, the national median price rose to \$231,000, less than 1 percent higher than in June 2005. That was the smallest year-over-year increase in more than 11 years.

Builders are losing their grasp on the new-home market, which is why so many of them have responded by being more aggressive in their use of promotions to sell homes. A check by the National Association of Home Builders of 369 builders across the country found that 75 percent are currently including add-ons like pools or garages at no additional cost when they sell a home. That compares with 50 percent a year ago.

A handful of builders reported offering free vacations. None did last July.

Builders are also helping buyers finance their homes. The survey found that 33 percent of builders are currently absorbing financing points on mortgages, which allows homeowners to pay lower monthly rates. Only 18 percent reported doing so a year ago.

When people were lining up to buy, “the only thing they had to complain about last year was getting enough material, labor and land,” said Michael Carliner, an economist with the home builders association. But now, he added, “things are slowing down.”

The home builders association reported last week that builder confidence had fallen to its lowest level in 14 years.

Mike Wainwright, a realtor with Coldwell Banker Residential Brokerage in Mesa, Ariz., says that each time he walks into the sales office of a new housing development, the incentives seem to change.

“It varies from week to week,” he said. “Sometimes it’ll be a pool or \$25,000 or even more than \$50,000.” He said he has seen cars, kitchen cabinets and flooring thrown in free. Regionally, the slowdown in sales of existing homes last month was most pronounced in the South. The Northeast also fell, while sales in the Midwest and the West held steady compared with May.

One consequence of the slowing housing market, economists and real estate experts said, is a strengthening of the rental property market. With interest rates rising, buying a home is becoming less affordable to more and more Americans. That gives landlords improved pricing power that home sellers now lack.

“A lot of the people that wanted to make a jump to their own home are waiting,” Mark Obrinsky, chief economist for the National Multi Housing Council, a trade group for the apartment rental business. “This year is going to be a much better year than we’ve seen for quite a few years.”

The housing council is predicting the biggest net increase in apartment rentals this year since 2000, Mr. Obrinsky said.

With a growing number of potential buyers moving into rental units or holding onto the homes they own, builders across the country are canceling or delaying housing developments. From Las Vegas to Dallas to Washington, some developers now report abandoning condo projects because sales are not meeting expectations.

Earlier this month, D. R. Horton, the nation’s largest home builder, said it would build fewer homes this year than it initially predicted. It also sharply cut its earnings guidance for the year by 30 percent, citing growing inventories of unsold homes and the increased use of incentives as part of the reason.

And Kenneth Simonson, chief economist with the Associated General Contractors of America, said he thought more projects would be canceled as demand falls.

“Certainly more projects will be scrubbed,” he said. “The risk is too great that they’re going to wind up paying more for the project and collecting less.”

Mr. Yardeni of Oak Associates added: “Home builders will tell you it feels like a recession.”

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