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An economic issue of current interest to Wall Street Journal readers. The Slowing effect of Housing Market Introduction Economists in the recent past have felt utter disappointment as a result of a string of an expected home-sales reports. The sales in current existing homes dropped during the month of March, and even included parts of the county that were not affected by cold weather this winter. The report indicated that sales on new homes were down by 13. 3% from the previous year. This was the lowest level since last July. To this effect, the concern is whether the housing recovery is faltering, and thus if it is, what is the causes behind this effect?

First, the good news is that, there is a decline of the share of homes being sold out of foreclosure. This is according to the National Association of Realtors monthly survey on real- estate agents. On the other hand, foreclosing has incorporated selling out at a discount rate to traditional homes. This is because of lenders' motivation to cut the price and in order to sell fast. In addition, the maintenance of these homes is not up to standard. As a result, a foreclosed property sale can bring down the ' comps' involved in appraising the value of other homes being sold in the neighborhood. A survey carried out indicates that, sales from previously owned homes have gone down during the last eight months. The sales were down 7. 5% a year earlier, resulting to five consecutive months where sales have dropped below the year earlier level (Timiraos, 2014).

Moreover, some of the decline in the existing home sales is because of shrinking supply of distressed homes. To the home sellers and builders, this is good news, unlike for the investors or real estate agents whose living was

depended on recycling these properties onto the market. Although the home prices no longer depreciate, traditional sellers have been reluctant in listing their homes for sale. In addition, the building of new homes is still low. The impact of this is that, the homes in the market are not many. The effect of this is that, prices are very high due to the high demand but the homes are less in supply. To the homeowners, this is a great deal but unwelcoming to anyone in search for a house and currently does not possess one. Therefore, even as home sales have decreased, monthly supply of homes is way below the highs of housing bust because there are few homes available to make a choice.

The slowing effect of housing market is therefore due to a few homes available for sale, leading to high prices. These gains are the cause of homes being less affordable, particularly after mortgage rates heightened recently. Despite mortgage being low, home buyers may still require adjustment period to the reduced affordability, due to the effect of both high prices and rates. The increase in mortgage rates implied that borrowers no longer possessed purchasing power they enjoyed previously, when the rates were one full percentage lower (Timiraos, 2014).

In the case of low inventories and fewer foreclosures holding back sales of existing homes, builders should therefore be constructing new homes, which has not been achieved so far. Moreover, the rate of new-home sale rose by 14. 5% in March compared to February this year. There is a focus by builders to build fewer homes, creating a high demand, thus fetching high prices in order to cater for rising labor, land and supply costs. Smaller builders'

consideration for credit is minimal, since they do not have easy access to capital markets, thus kept on sidelines. In simple terms, housing's rocky recovery signals a weakness in economy that is affecting many households.

#### Work Cited

Timiraos Nick. Why the Housing Market Has Slowed. The Wall Street Journal. Retrieved from <http://blogs.wsj.com/economics/2014/04/23/why-the-housing-market-has-slowed/> on 04/24/2014.