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## Existing-Home Sales Plunge

By JUSTIN LAHART

Home sales plunged in December, raising fresh concerns over the housing market's ability to recover when government support winds down.

Sales of previously owned homes fell 16.7% from November to a 5.45 million annual rate, the National [Association](#) of Realtors said Monday, after a looming tax-credit deadline pushed buying decisions into previous months. The drop brought the pace of sales down to the lowest level since August.

The government's first-time home-buyer tax credit was initially scheduled to end Nov. 30, and there was a race to finish deals before it expired. But the tax credit was eventually extended until spring, complemented by an additional tax break for repeat buyers.

For all of 2009, there were 5.16 million home sales, up 4.9% from 4.91 million in 2008. It was the first annual sales gain since 2005.

Although economists expected Monday's report to show declining December home sales, few thought they would fall so sharply. The decline called into question the sector's ability to bounce back.

"We have a very fragile housing system," said Michael Carey, an economist with Calyon Securities in New York. He worried that as the government withdraws support from the housing market, prices could begin slipping again. That would put more homeowners into the position of owing more on their mortgage than their home is worth and could lead to another wave of foreclosures.

It will be difficult to gauge how dependent on government support the housing market has become until the second half of the year. The current round of tax credits are for sales signed by the end of April and completed by the end of June. The looming expiration of those programs will likely create another sales surge in the spring.

The median price for a home sold in December was \$178,300, up 4.9% from \$170,000 in November and the largest monthly percentage price increase since 2005.

But the jump likely occurred because higher-end homes made up a larger share of total sales with the drop in first-time home buyers.

Regionally, December sales fell 19.5% in the Northeast, 25.8% in the Midwest, 16.3% in the South and 4.8% in the West.

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