



## NAR National Association of Realtors

### Foreclosure and Short Sale Discounts Weigh Down Metro Area Median Prices

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First-time home buyers responding to improved affordability conditions, and lower prices of foreclosures and short sales, impacted metropolitan area median home prices in the first quarter, while existing-home sales remained sluggish in many parts of the country, according to the [latest survey](#) by the National Association of Realtors®.

With first-time buyers accounting for half of all purchases during the first quarter, 134 out of 152 metropolitan statistical areas<sup>1</sup> reported lower median existing single-family home prices in comparison with the first quarter of 2008, while 18 metros had price gains.

Many buyers sought deeply discounted distressed sales – foreclosures and short sales – which accounted for nearly half of transactions in the first quarter and weighed down median home prices in most markets.

The national median existing single-family price was \$169,000, which is 13.8 percent below the first quarter of 2008 when conditions were closer to normal. The median is where half sold for more and half sold for less, but distressed homes typically are selling for 20 percent less than traditional homes and are downwardly skewing median prices.

NAR President [Charles McMillan](#), a broker with Coldwell Banker Residential Brokerage in Dallas-Fort Worth, said there are two levels of pricing in the current market.

“Traditional homes in good condition have held their value much better, so owners shouldn’t be overly concerned about median prices. Most sellers can expect a good return if they’ve been in their home for a normal period of homeownership and haven’t excessively tapped their equity,” he said.

“Given the unusual mix of conditions around the country, the expertise and negotiating skills of a Realtor® have never been more important,” McMillan said. “Unparalleled knowledge of local markets is crucial for consumers.”

Total state existing-home sales, including single-family and condo, were at a seasonally adjusted annual rate<sup>2</sup> of 4.59 million units in the first quarter, down 3.2 percent from 4.74 million units in the fourth quarter, and are 6.8 percent below the 4.93 million-unit pace in the first quarter of 2008.

Seventeen states experienced sales increases from the fourth quarter, and six states were higher than a year ago; complete data for one state was not available. Sales in the first quarter do not reflect an impact from the first-time home buyer tax credit.

[Lawrence Yun](#), NAR chief economist, sees the market in a lull before an upturn. “Over the past couple months, contract activity for home sales, buyer traffic and inquiries about the \$8,000 tax credit have all increased,” he said.

“Close to 455,000 buyers purchased their first home during the first quarter, and those are likely just the first wave of new buyers coming into the market – they’re critical for a housing recovery,” Yun said. “Housing affordability conditions are at record high levels and we expect a measurable increase in home sales during the second half of the year, which would help stabilize prices in most areas.”

According to Freddie Mac, the national average commitment rate on a 30-year conventional fixed-rate mortgage fell to a record low 5.06 percent in the first quarter from 5.86 percent in the fourth quarter; the rate was 5.88 percent in the first quarter of 2008.

Yun said some areas showed dramatic drops in home prices. “In areas with the biggest price declines, we also see much higher levels of distressed sales which are distorting the data,” Yun said. “We are very much in a bifurcated market with sharp differences between foreclosures and short sales on one hand, and traditional homes on the other. In many cases homes are selling below replacement construction costs, which speaks to great value in the current market.”

There were bright spots in the first quarter. The largest sales gain from a year ago was in Nevada, up 116.8 percent, followed by California which rose 80.6 percent, Arizona, up 50.2 percent, and Florida with a 25.0 percent increase. Virginia and Minnesota also experienced double-digit sales increases.

The largest single-family home price increase in the first quarter was in the Cumberland area of Maryland and West Virginia, where the median price of \$114,900 rose 21.1 percent from a year ago. Next was the Davenport-Moline-Rock Island area of Iowa and

Illinois at \$100,300, up 13.8 percent from the first quarter of 2008, followed by Columbia, Mo., where the median price increased 6.0 percent to \$152,600.

Median first-quarter metro area single-family home prices ranged from a very affordable \$30,300 in the Saginaw-Saginaw Township North area of Michigan to \$570,000 in Honolulu. The second most expensive area was the San Jose-Sunnyvale-Santa Clara area of California, at \$450,000, followed by the Anaheim-Santa Ana-Irvine area of California at \$435,800.

Other affordable markets include Akron, Ohio, at \$50,100, and the Youngstown-Warren-Boardman area of Ohio and Pennsylvania at \$51,200.

In the condo sector, metro area condominium and cooperative prices – covering changes in 56 metro areas – showed the national median existing-condo price was \$172,800 in the first quarter, down 20.2 percent from the first quarter of 2008. Five metros showed annual increases in the median condo price and 51 areas had declines.

The strongest condo price increases were in Portland-South Portland-Biddeford, Maine, at \$196,900, up 11.2 percent, followed by the Wichita, Kan., area, where the median condo price of \$113,900 rose 6.8 percent from the first quarter of 2008, and Bismarck, N.D., at \$132,400, up 6.0 percent.

Metro area median existing-condo prices in the first quarter ranged from \$75,200 in Las Vegas-Paradise, Nev., to \$345,900 in San Francisco-Oakland-Fremont. The second most expensive reported condo market was Honolulu at \$300,000, followed by the New York-Wayne-White Plains area of New York and New Jersey at \$282,300.

Other affordable condo markets include the Palm Bay-Melbourne-Titusville area of Florida at \$90,600 in the first quarter, and the Sacramento-Arden-Arcade-Roseville area of California at \$93,800.

Regionally, existing-home sales in the Northeast fell 10.3 percent in the first quarter to a pace of 693,000 units and are 20.1 percent below a year ago.

The median existing single-family home price in the Northeast declined 15.9 percent to \$235,500 in the first quarter from the same period in 2008. The best gain in the region was in Syracuse, N.Y., where the median price of \$113,700 rose 3.1 percent from the first quarter of 2008, followed by Buffalo-Niagara Falls, N.Y., at \$99,200, up 2.7 percent, and Binghamton, N.Y., where the median rose 0.5 percent to \$110,300.

In the Midwest, existing-home sales slipped 2.2 percent in the first quarter to a pace of 1.04 million and are 13.1 percent below a year ago.

The median existing single-family home price in the Midwest was down 6.8 percent to \$132,400 in the first quarter from the same period in 2008. After Davenport-Moline-Rock Island and Columbia, the next strongest metro price increase in the region was in Springfield, Ill., where the median price of \$111,400 was 3.9 percent higher than a year ago, followed by Topeka, Kan., at \$106,500, up 3.1 percent, and Bloomington-Normal, Ill., at \$153,800, up 1.9 percent.

In the South, existing-home sales declined 2.5 percent in the first quarter to an annual rate of 1.70 million and are 12.7 percent lower than the same period in 2008.

The median existing single-family home price in the South was \$146,600 in the first quarter, down 10.8 percent from a year earlier. After Cumberland, the strongest price increase in the region was in Beaumont-Port Arthur, Texas, with a 5.0 percent gain to \$129,100, followed by Oklahoma City, at \$129,900, up 4.0 percent, and Shreveport-Bossier City, La., at \$136,000, up 3.4 percent.

Existing-home sales in the West slipped 0.9 percent in the first quarter to an annual rate of 1.16 million but are 24.3 percent above a year ago.

The median existing single-family home price in the West was \$237,600 in the first quarter, which is 19.8 percent below the first quarter of 2008. The strongest price gain in the West was in the Salt Lake City area, where the median price of \$230,100 rose 1.9 percent from a year earlier, followed by Farmington, N.M., at \$191,200, up 0.7 percent.

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Data tables for both metro area home prices and state existing-home sales are posted at: [www.realtor.org/research/research/metropice](http://www.realtor.org/research/research/metropice). For areas not covered in the tables, contact your local association of Realtors®.

<sup>1</sup>Areas are generally metropolitan statistical areas as defined by the U.S. Office of Management and Budget. A list of counties included in MSA definitions is available at: [www.census.gov/population/estimates/metro-city/0312msa.txt](http://www.census.gov/population/estimates/metro-city/0312msa.txt)

Regional median home prices include rural areas and samples of many smaller metros that are not included in this report; the regional percentage changes do not necessarily parallel changes in the larger metro areas. The only valid comparisons for median

prices are with the same period a year earlier due to seasonality in buying patterns. Quarter-to-quarter comparisons do not compensate for seasonal changes, especially for the timing of family buying patterns.

NAR began tracking of metropolitan area median single-family home prices in 1979; the metro area condo price series was launched at the beginning of 2006, with several years of historic data.

Because there is a concentration of condos in high-cost metro areas, the national median condo price sometimes is higher than the median single-family price. In a given market area, condos typically cost less than single-family homes. As the reporting sample expands in the future, additional areas will be included in the condo price report.

<sup>2</sup>The seasonally adjusted annual rate for a particular quarter represents what the total number of actual sales for a year would be if the relative sales pace for that quarter was maintained for four consecutive quarters. Total home sales include single family, townhomes, condominiums and co-operative housing. NAR began tracking the state sales series in 1981.

Seasonally adjusted rates are used in reporting quarterly data to factor out seasonal variations in resale activity. For example, sales volume normally is higher in the summer and relatively light in winter, primarily because of differences in the weather and household buying patterns.

Each May when first quarter data is published, NAR Research incorporates a review of seasonal activity factors and fine-tunes historic data for the previous three years based on the most recent findings. Revisions have been made to quarterly seasonally adjusted annual sales rates for 2006 through 2008; there are no revisions to price data beyond the normal quarterly revisions.

Second quarter metro area home price and state resale data will be released August 12.