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from the August 17, 2006 edition

## Homes for sale, but not for a song

Home sales nationwide have fallen 7 percent in the past year, but prices are up 3.7 percent.

By [Mark Trumbull](#) | Staff writer of *The Christian Science Monitor*

Real-estate reports all point to a slowdown after a long boom, but don't assume that it's suddenly a buyers market out there.

It's true that sellers no longer can expect multiple offers on the first day they list their home. For shoppers, it's a strange and wonderful feeling to have some leverage.

Yet in most metro areas, the current cool-off doesn't mean a surplus of bargain deals.

Mortgage rates are up, so the cost of owning a home is actually higher for many people than it was a year ago. And median prices are still rising, not falling. Markdowns are now common in some once-hot markets, but from the Carolinas to Colorado, many metro areas remain strong.

"It's much more a stabilized, normal market," says Michael Maloney, managing broker at Keller Williams Realty in Richmond, Va. Prices continue to rise, he says, but unlike a year ago, "we're not seeing the frantic multiple offers and bidding wars."

He expects the market to remain robust, with sales bolstered in part by businesses relocating from the congested communities near the nation's capital.

In some other areas, a true buyer's market may be on its way. But experts have a warning for today's home shoppers: It often takes a year or two for prices to adjust downward in a slowdown. So far, many areas appear to be in a "topping out" phase more than a "bottoming out."

The pattern is evident in new data released this week by the National Association of Realtors. Despite a rise in both interest rates and the inventory of homes, the median sales price of previously owned homes was up 3.7 percent in the second quarter from the same period a year ago.

Among the nation's 151 metro areas, 26 saw the median price fall, while 37 enjoyed double-digit increases. Meanwhile, the overall volume of sales was 7 percent lower than last year.

Separate reports confirmed that home builders face a harsher climate of cyclical downturn. New housing starts dropped more than expected in July, and have fallen 13.3 percent in the past year, according to data released Wednesday. And an index of builder confidence fell this week to a 15-year low - suggesting more retrenchment to come.

So far, the market shift is visible more in the behavior of buyers and sellers than in the prices. Some builders are throwing in free granite countertops, while ordinary sellers are making sure their homes don't need obvious repairs.

"In the past, buyers were taking properties just as they were ... because they were afraid of prices going up," says Linda Behnke, assistant manager at a RE/MAX office near San Diego.

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### Today's print issue



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"They were just happy to just get the house."

Sellers wondered what was wrong if a home hadn't sold within two weeks. Now, by contrast, buyers are "going to a store that's fully stocked." It's unusual to sell a home within 30 days near her office in Rancho Bernardo.

"We're trying to settle in to where prices should have been" without some of the recent froth, Ms. Behnke says. That means it feels like a buyer's market now, even though the median price - the middle price of all homes sold - hasn't yet dipped.

So far, the clearest buyer's markets are in the Midwest, not in long-booming areas like Florida or Phoenix. From Detroit to Cleveland, factory layoffs and a tough job climate have pushed home prices down. The Midwest is the only region to show a drop in prices in the second quarter, with a fall of 2 percent. But no region saw a double-digit gain.

"The rise in housing supply is the biggest change in the market over the last year," Thomas Stevens, president of the National Association of Realtors (NAR), said last week in a statement. "Clearly, this has taken pressure off of home prices...."

The group predicts that the overall market is stabilizing, with sales volume likely to hold steady later this year.

Realtors are observing a standoff, with home sellers reluctant to cut prices, while buyers try to win concessions. The result is a rising inventory of unsold homes.

Higher mortgage rates are making it harder for buyers to offer big bucks.

The recent run-up in prices was fueled by low interest rates. A key question now is whether land prices unwind during the next few years. According to one economic study, the price jumps in this decade relate in part to the implicit value of land, not to the value of the residential structures.

"What we're calling land is a bundle of things," says Morris Davis, a professor of real estate at the University of Wisconsin School of Business in Madison. "It's the commute time to work, commute time to the beach, the view, the schools, crime."

In short, location, location, location. This explains why older homes near major cities often keep appreciating in price, even while the structure itself is aging - in theory depreciating in value.

Dr. Davis, who conducted his recent research with Michael Palumbo of the Federal Reserve, says a key factor will be how the process of commuting evolves.

The rise of the automobile, he says, may have pushed land values down in the middle of the 20th century, by making it easier for people to live far from downtowns or rail stations.

More recently, land values have surged as population has risen, even while zoning and other factors restrain the supply of houses in good locations for commuters. Where land values go from here could depend on whether another commuting revolution comes along - perhaps a rise in telecommuting.

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**Still  
rising**

**HOMES** in most major metropolitan areas continued to show price gains this past year, despite higher inventories and interest rates. But the rise was slower than many of these areas had seen.

MARKET	PRICE*	PRICE APPRECIATION**
Phoenix-Mesa-Scottsdale, Ariz.	\$272.2	11.8%
Houston-Baytown-Sugar Land, Texas	152.7	7.2
New York-Northern N.J.-Long Island, N.Y.	473.7	4.6
Atlanta-Sandy Springs-Marietta, Ga.	173.9	4.4
San Francisco-Oakland-Fremont, Calif.	751.9	3.4
Washington-Arlington-Alexandria, D.C.-Va.-Md.-W.Va.	443.4	3.3
Miami-Fort Lauderdale-Miami Beach, Fla.	376.2	2.0
San Diego-Carlsbad-San Marcos, Calif.	613.1	1.2
Boston-Cambridge-Quincy, Mass.	421.2	0.6
Minneapolis-St.Paul-Bloomington, Minn.	233.0	-2.0
<b>U.S. AVERAGE</b>	<b>227.5</b>	<b>3.7</b>

\* in thousands.

\*\* percent change in median sales price of single-family homes from second quarter, 2005, to second quarter, 2006.





SOURCE: NATIONAL ASSOCIATION OF REALTORS; RICH CLABAUGH - STAFF

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