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Metro home sales perk up; prices fall

Foreclosures lure more buyers into property; surge is good sign for housing market, experts say.

Nathan Hurst / The Detroit News

For the fourth month in the past five, Metro Detroit home sales rose over the same month a year ago -- a healthy 19.7 percent in April -- a sign that the region's comatose housing market is showing signs of life.

Even more encouraging, pending sales of Metro Detroit homes, where offers have been accepted but the deal hasn't yet been closed, are up 29.2 percent from last year, according to data released Tuesday by Farmington Hills-based Realcomp, the area's largest multiple listings service.

But the boost in sales comes with sagging home values. April's median sales prices -- the point at which half the houses sold for more and half for less -- ranged from 72.5 percent lower in Wayne County to 13.7 percent down in Livingston County.

A large number of foreclosure sales are driving the Metro Detroit housing market right now. Bargain basement prices on the foreclosed homes are luring buyers into the market, and forcing traditional home sellers to lower prices to compete.

Still, the good news is that those lower prices are helping to clear a glut of houses that have been waiting for buyers for months and even years. And that's a first step toward stopping Metro Detroit's two-year-old housing market decline.

"Price declines are necessary to stimulate sales, which is exactly what we need," said Don Grimes, lead economic researcher with the University of Michigan. "These numbers are a very positive sign for Detroit."

But the recovery won't be quick or easy. Experts say prices aren't likely to start rising until sometime next year, at the earliest. And more auto industry buyouts scheduled for this year and tighter lending standards could increase the number of homes on the market and decrease the number of buyers who can qualify for them.

"When you have a weak job market, people tend to move outside the state, which can deal a

hard blow to real estate," Grimes said. "The lack of jobs in Michigan isn't much encouragement for people to move to the state, either."

Realistic sellers emerge

Realtors are relieved that the lower prices are helping to move inventory as buyers seize the opportunity to snag bargains.

"We've got lots of everything for sale, and they are tremendous values," said Nanci J. Rands, associate broker with SKBK Sotheby's International Realty in Birmingham. "People who have been on the fence or on the sidelines are being converted into serious buyers."

Helping lure the buyers are more realistic sellers, real estate agents say. Those who overvalued their homes in months past are starting to have success by lowering their asking prices, said Jane Pendleton, an associate broker with Century 21 Brighton Towne Co. in Brighton. "Much of the bad news has been factored in and absorbed into the prices," Pendleton said. "The real problem has been the foreclosures."

The Realcomp data illustrates the huge impact foreclosure sales have had on the local market.

For example, Detroit had more foreclosure sales in April than regular sales (570 of 932 total), and the median sales price for the month was \$9,200, down 68.8 percent from \$29,450 last year. Detroit's median price also was a big drag on April's median price for all of Wayne County.

Few areas of Metro Detroit escaped the impact. In Wayne County outside of Detroit and in Oakland County, about a third of April sales were foreclosed homes; in Macomb, 40 percent.

And because foreclosed homes are typically bargains, they give buyers a lot of house for their money, which challenges traditional sellers.

"Those bank-owned homes have been stiff competition for sellers," Pendleton said. "Getting that market settled down is critical for recovery."

Agents say foreclosed homes affect the market in indirect ways, as well: their mere presence tends to drag down the value of neighboring homes.

National economy is weaker

Recent data from RealtyTrac, an Irvine, Calif., firm that tracks foreclosures, show the influx of bank-owned properties is starting to slow in Michigan, but they will continue to greatly affect the market in the coming months. About 30 percent of existing U.S. homes sold through 2009 will be foreclosures, according to an April 24 report by Lehman Brothers Holdings Inc. economists Michelle Meyer and Ethan Harris.

In Michigan, continued weakness in the job market could set back a housing market recovery by driving more workers from the state looking for work. General Motors Corp., Ford Motor Co. and Chrysler LLC all have offered more buyouts, in hopes of eliminating thousands of positions, many of them in Metro Detroit.

But in an ironic twist, weakness in the national economy might persuade unemployed or underemployed Michigianians to stay put.

"In a bit of a paradox, the national economy is getting weaker, meaning there are fewer opportunities elsewhere than there were before," U-M's Grimes said. "A lot of people are going to take these buyouts and stick around Michigan for a while before deciding exactly what to do. That will help prevent a bigger glut of homes from coming on the market all at once."

Peter Allen, a real estate consultant and professor at the University of Michigan, said buyers have more power now than they have in decades.

"I am bullish on Detroit and feel it is the best time to buy in 40 years," he said. It's the "most undervalued big city in the country."

Bloomberg News contributed to this report. You can reach Nathan Hurst at nhurst@detnews.com.

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