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Bargains drive up sales of homes Uptick from weak '07 sales signals Metro housing market may be rebounding, but prices are lagging.

Nathan Hurst / The Detroit News

DETROIT -- After more than three years of declines in home sales, prices and new construction, Metro Detroit could be taking a step toward a housing recovery.

For the third month in a row, sales of single-family houses and condominiums in the four-county region have increased over the same month a year ago.

In the February data released Tuesday, sales were up 13.8 percent over February 2007, according to Realcomp, the Farmington Hills-based multiple listing service. In December sales were up 7.3 percent from the same month a year earlier, and in January they were 15.2 percent.

In contrast, Metro Detroit home sales for all of 2007 were off 14.4 percent from their peak in 2004.

Market experts said the three-month uptick in sales could be a sign that Metro Detroit's long, slow journey to a housing market recovery has begun. Since 2005, home prices have dropped, foreclosures have soared and new construction has sunk to its lowest level in 40 years.

The sales boost is a shot in the arm the region needs, said Don Grimes, a senior research specialist with the University of Michigan in Ann Arbor. "Otherwise, it'll just keep dragging on and on."

But the experts caution that the next steps -- rebounds in home prices and new construction - - won't happen for quite some time.

The sales mostly are being driven by bargain-basement prices, especially for houses in foreclosure, which are bringing buyers back into the market.

Real estate agents have noticed that more homeowners who have had their houses on the market for a long time are pricing those homes to sell, so they can buy a new house at a bargain price, too.

Median sale prices in February demonstrate the effect of foreclosure sales on the local market.

In Detroit, for example, February sales were up 49.4 percent from a year ago, but nearly 58 percent of the sales involved foreclosed homes, with a median sales price of \$10,000. In contrast, the median price of foreclosed homes in February 2007 was \$27,000.

In Oakland County, foreclosure sales made up nearly 35 percent of transactions in February, with a median price of \$91,395, compared with \$123,000 last year. The median price of non-foreclosure sales for the month was \$176,500, compared with \$191,000 a year ago.

Prices likely won't rise soon

Metro Detroit homeowners shouldn't expect significant price gains any time soon, said Dana Johnson, chief economist for Dallas-based Comerica Bank.

"The latest data on house prices still show a pretty ugly decline in the Metro Detroit area,"

Johnson said. He's predicting prices won't start rebounding until the end of the year, at the earliest.

While that might be disappointing for home sellers, it's not a bad thing for the market as a whole, Johnson said. Recovery in the housing sector will be driven largely by price declines, which will eventually draw buyers into the market.

As home sales rise, inventories will drop, making those homes remaining on the market more in demand, experts say. Only after that demand has been realized will new construction numbers start to pick up, as well.

Until that happens, real estate agents said the lower prices are keeping them busy, with more value-conscious buyers looking at properties.

"There is a tremendous amount of perceived value," said Nanci J. Rands, a broker with SKBK Sotheby's International Realty in Birmingham. "A lot of people have been on the sidelines waiting for that one perfect property that they just couldn't resist at a price that was attractive.

"We have seen many more people calling for appointments now than even a month ago, more than we could explain with the usual spring turnout," Rands said. "There are a lot of properties available at quite attractive prices."

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