

# HOME SALES BOOM IN 'BUSTED' MARKETS

## *Price drops lead to doubling in sales in some markets*

By Steve Bergsman - If we measured home sales the same way we do automobile sales, the housing market wouldn't look so bleak.

The success of the auto industry is gauged by individual unit sales on a year-to-year basis. So if Detroit sells 275,000 vehicles one month as compared to 250,000 in the same month of the previous year, all things are swell.

In comparison, housing studies focus on pricing.

In California, for example, the median price of a home in March 2009 was \$253,000, which was 39 percent lower than March 2008. So the market there doesn't appear to have stabilized.

However, if one turns to sales statistics, there is a reversal of fortune: Sales of California single-family homes in March 2009 were up 64 percent from March 2008.

The odd secret in America's housing data is that the markets -- most of California, Phoenix, Las Vegas and Florida -- that experienced the largest corrections after the bursting of the housing bubble, in 2009, are reporting the greatest percentage increases in housing sales.

In February 2009, Phoenix scorched a 55.1 percent increase in resales of single-family detached houses, reports DataQuick Information Systems, a real estate information company.

Some cities, in fact, are showing home-sale increases of more than 100 percent on a year-to-year basis. Las Vegas housing blogs have been gloating over the "doubling" of home sales from March 2009 as compared to March 2008. One blog

noted that 2,879 single-family homes were sold in March 2009, which was a level of activity not seen since 2005.

When the media looks at Las Vegas, it generally focuses on the fact that the city has one of the highest foreclosure rates in the country, notes Gordon Hammond, a Las Vegas Realtor and team leader for ZipRealty. "But what they fail to tell you is that we also have some of the highest resale rates on foreclosures."

Las Vegas' inventory of homes on the market today is a little more than 13,000 units, Hammond adds. "A year ago, it was significantly higher, possibly as high as 21,000 homes."

The markets that have been affected the most in terms of the housing-bubble crash appear to be going through a solid recovery, especially in regard to unit sales, observes Mark Perry, professor of economics and finance at the University of Michigan's Flint campus.

Perry tracks statistics on individual housing markets, and as he notes, in that state's unsold inventory index -- which measures how long it takes to sell a house -- the time line dropped from 12.2 months in April 2008 to just five months in April 2009. So homes are moving quickly.

What's driving housing sales in these downtrodden cities is nothing more than advantageous pricing.

"The markets with largest bubbles are now going through the largest corrections in terms of falling prices," says Perry.

In a hint of market stabilization, the California Association of Realtors reported that while the median price of a home was lower in March 2009 than a year earlier, it was actually higher at \$253,000 than the \$247,500 in February. In addition, the statewide Realtor group estimated the state saw 522,980 single-family home sales in March, up from 319,290 the year earlier.

"California is a bifurcated market," comments Leslie Appleton-Young, the association's chief economist. "You have the distressed component of the market where prices are off 50 percent from peak, then you have higher-end coastal areas that have not experienced the kind of price declines you see inland."

In the inland areas such as Riverside-San Bernardino, which suffered a huge foreclosure problem, home sales in March were up 126.8 percent from where they were in March 2008. "First-time buyers are very active in that market," says Appleton-Young. "A lot of things are going on for the homebuyer right now: an \$8,000 federal tax credit that will expire at the end of November and a California credit of \$10,000 if one buys new construction. If you look at prices, PITI (principal, interest, taxes and insurance) for a first-time homebuyer in the middle of 2007 was about \$3,300 and today is \$1,600."

Other California locations with crazy runups in home sales include the High Desert region around Victorville, up 172.7 percent, and the Monterey County region around Salinas, up 248.7 percent.

Asked if the buyers have been users or investors, Appleton-Young says there have been reports of investors coming in and buying 50 to 100 properties for 40 cents on the dollar.

The poster child for busted housing markets has been the Sunshine State, but the pattern of resurging home sales has been running deep in Florida as well.

Miami-Dade County home sales are up about 100 percent, says Wenceslao Fernandez, a Realtor with Keller Williams Realty in Miami Beach.

There are a lot of sales of homes that are in financially stable conditions, but the ones that are moving the most are the short sales, foreclosures and REOs, says Fernandez. "When prices go down, demand goes up."

So who is buying? The clientele has been varied from foreign buyers to domestic investors and owner-occupiers.

Another Florida city showing 100 percent-plus annual increase in home sales is Fort Myers on the state's West Coast. Buyers in March included Vince and Alli Glorioso, Fort Myers residents who traded up to a more expensive home.

This was not an opportunistic move, but a planned strategy. "My wife's work situation changed and that was one of the factors for moving," says Vince Glorioso. "We lived in Fort Myers since 1996 and owned our own home. But, we needed another bedroom so that my wife could have a dedicated office and we could still retain a guest room."

The home the Gloriosos bought was built around 2004-05 and sold at the time for \$349,000. The Gloriosos acquired it for \$320,000 -- a good savings, but not great.

They could have scooped up a foreclosed, five-bedroom, 2,600-square-foot home for a mere \$279,000. They didn't because the latter was trashed, with appliances missing -- including the pool heater. In fact, the Gloriosos couldn't even tell the state of the pool because the water was so green and occluded. In addition, neighborhood fees were very high.

"We could have saved on the mortgage," says Glorioso, "but expenses would have been higher."

In the month of March, the Fort Myers area experienced the largest number of single-family home sales ever, even harking back to the boom days, notes Denny Grimes, a principal with Denny Grimes & Co. in Fort Myers.

For further good news, Grimes adds, most of the recent buyers will be living in those homes. "Back

in the heyday of the boom, in 2004, our market went from 75 percent user-based and 25 percent investor-based to 90 percent investor and a little bit of user," he explains. "It's now back to that 75 percent user and 25 percent investor."

What's driving the market in Fort Myers? Nothing more than pricing. An abundance of cheap land led to massive development, which ended up as an oversupply of homes. Values subsequently collapsed.

In 2005, Fort Myers had just 12 homes in the multiple listing service under \$100,000 -- in 2008 there were 4,200. Median sales, says Grimes, dropped to under \$90,000.

"This is Economics 101," Grimes says. "It doesn't matter if you have too many blouses in the boutique or too many houses on the market. If you've got too many, you better put them on sale."