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Home prices are expected to go up at a slower pace

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National and local home prices should continue to rise, though not as fast as in recent years, economists said Wednesday.

With the cost of land, materials and labor increasing, "a year from now housing prices will be higher than they are now," said David Scott, finance professor at the University of Central Florida.

But Scott and many other economists think the soaring price escalation of the past few years will soon come to an end — with price increases more closely matching the rate of inflation.

That could occur this year as the economy heats up and interest rates rise.

Interest rates — the cost of money — have surprised many economists this year by sinking to 40-year-low levels, spurring home sales and rekindling mortgage refinancings.

In a state-of-the-market conference call from Washington on Wednesday, David Seid-

ers, chief economist of the National Association of Home Builders, noted that the median price of a new home is up 9.5 percent over a year ago.

Home prices in Florida last year were up 11.34 percent. In metropolitan Orlando, the increase for the year was 8.26 percent.

Seiders expects appreciation to slow to more normal levels as interest rates rise, something he predicts for the balance of this year. He expects 30-year fixed-rate home loans to average 6.1 percent by year's end.

Thirty-year fixed rate loans currently are averaging about 5.5 percent.

Home-price declines are not unheard of.

Areas where hyper-price inflation has occurred in the past — places like Southern California and the Northeast — have witnessed several cycles of falling prices after local economies stalled.