

## Home prices rise at fastest pace since '79

In metro Orlando, the average 3rd-quarter price was 16% higher than a year earlier.

**13.0%**

Nationally, the average home-price increase since last year

**19.6%**

Statewide, the average home-price increase since last year

**16.0%**

In metro Orlando, the average home-price increase since last year

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Driven by home buyers who seized on decades-low interest rates, home prices surged across the country this summer at their fastest rate in 25 years, according to a report released Wednesday.

The average U.S. home price was nearly 13 percent higher in the third quarter than in the same period a year ago, according to the U.S. Office of Federal Housing Enterprise Oversight, which oversees Fannie Mae and Freddie Mac, the nation's biggest buyers of home loans.

The 13 percent increase was the biggest since 13.1 percent in the third quarter of 1979.

The average home price rose 4.6 percent from the second to third quarter, or 18.5 percent as an annual rate.

In Central Florida, home prices have been rising steadily all year, thanks to

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# Low interest rates help prices of homes skyrocket nationally

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steady demand and a limited supply of resale homes — except for a stumble in September, when the region was recovering from one hurricane and was hit by two more.

In metropolitan Orlando, the average third-quarter home price was 16 percent higher than a year earlier — above the U.S. average. Orlando was ranked 56th out of 245 metro areas nationwide, up from 71st a year ago.

Barbara Vance of Vance Realty Group in Orlando said her agents have seen some eye-popping price changes recently.

For example, agents Karan Freeman and Gloria Siegel sold a town home in Kissimmee a year ago for \$160,000. They just sold the property again — almost on the one-year anniversary of the previous sale — for \$265,000. That's a 66 percent gain in a year.

### British investors spur prices

Vance noted that the town home is in a resort area where demand from British investors for vacation homes has been particularly intense because of the weak U.S. dollar.

But Freeman and Siegel also sold a home recently in the Windermere area for \$725,000. Nineteen months earlier, the seller had bought the property for \$521,800. The resulting gain: 39 percent.

Throughout the Orlando area, the median price of an existing home has risen 23 percent just since the start of the year — from \$148,324 in January to \$182,000 in October, according to the Orlando Regional Realtor Association.

Five years ago, the median price of an existing home sold through the association's central-listing pool in the Orlando area was \$100,333. Since then, the figure has risen more than 81 percent.

That was a "once in a double-generation opportunity" for homeowners, because such price appreciation won't last, said David Scott, an economist at the University of Central Florida.

"We'll see double-digit price increases disappear as interest rates rise," Scott predicted.

### Fed starts raising rates

The Federal Reserve Board, the nation's central bank, has slowly begun boosting short-term interest rates in recent months in an effort to keep inflation in check.

Despite the Fed's actions, long-term mortgage rates have remained below 6 percent for weeks now. But as they move above 6 percent, each upward tick will slow demand for housing a little, which in turn will curb price appreciation, Scott said.

Home buyers will see what amounts to "a giant interest-rate subsidy steadily erode" next year, the economist said.

Frank Filippelli, owner of Southern Realty Enterprises in Longwood, said that, in addition to loan rates' being at more than 40-year lows, prices in the Orlando area have been driven by a limited inventory of resale homes, which has led to multiple bids for properties in the most desirable areas.

"We have more buyers than listings," Filippelli said, and that imbalance has created a strong sellers' market.

### Small pool of homes

As recently as 1996, the Orlando Realtors' central-listing pool averaged 9,000 to 10,000 properties in any given month. But in October, the pool had only 3,807 properties available — its lowest level this year and its third consecutive month less than 4,000.

Nationally, Nevada was the top state in the nation for home appreciation in the third quarter, with 35.8 percent growth from a year earlier. A year ago, it was ranked 14th.

Florida, with a one-year price appreciation of 19.6 percent, fell from fifth to seventh place among the states.

### Vegas is top market in U.S.

The top metro area in the third quarter was Las Vegas, up from 61st a year ago. It led the country, with 41.7 percent price growth.

Florida had four metro areas in the top 20, though none of the state's largest cities made the cut: Port St. Lucie/Fort Pierce was 10th, with 28.2 percent appreciation; Palm Bay/Melbourne/Titusville was 12th, with 28.1 percent; Fort Walton Beach/Crestview/Destin was 18th, with 23.9 percent; and Punta Gorda was 19th, with 23.8 percent.

Elsewhere in the country, some metro areas saw little or no third-quarter growth in home prices despite record-low interest rates.

Lafayette, Ind., ranked last among the 245 metro areas, with just 0.10 percent appreciation compared with a year ago. Compared with this year's second quarter, prices in Lafayette actually declined 0.68 percent in the third quarter.

## Hot spots for home appreciation

The average U.S. home price was nearly 13% higher in the 3rd quarter than a year ago, but in certain states and metropolitan areas, including Florida and Orlando, it was much higher. Nevada jumped from 14th place a year ago to 1st place in the latest ranking, while Florida slipped from 5th to 7th. Las Vegas jumped from 61st to 1st place among the metro areas ranked, while Orlando rose from 71st to 56th despite the disruption of this season's hurricanes.

### Increase in home prices

*Annual percentage change in average home price*

<b>1. Nevada</b>	<b>35.8%</b>
2. Hawaii	28.3
<b>3. California</b>	<b>27.2</b>
4. District of Columbia	24.0
<b>5. Rhode Island</b>	<b>22.5</b>
6. Maryland	22.3
<b>7. Florida</b>	<b>19.6</b>
8. New Jersey	18.6
<b>9. Vermont</b>	<b>18.3</b>
10. Virginia	18.1

\* Rankings based on annual percentage change for all metropolitan statistical areas (MSA) containing at least 15,000 transactions in the past 10 years.

### Increase in home prices by metropolitan area\*

*Annual percentage change in average home price*

<b>1. Las Vegas-Paradise, Nev.</b>	<b>41.7%</b>
2. Riverside-San Bernardino-Ontario, Calif.	33.8
<b>3. Reno-Sparks, Nev.</b>	<b>31.9</b>
4. Oxnard-Thousand Oaks-Ventura, Calif.	31.2
<b>5. Bakersfield, Calif.</b>	<b>30.9</b>
6. Los Angeles-Long Beach-Santa Ana, Calif.	30.5
<b>7. San Diego-Carlsbad-San Marcos, Calif.</b>	<b>30.4</b>
8. Visalia-Porterville, Calif.	29.8
<b>9. Fresno, Calif.</b>	<b>28.5</b>
10. Port St. Lucie-Fort Pierce	28.2
<b>12. Palm Bay-Melbourne-Titusville</b>	<b>28.1</b>
<b>34. Deltona-Daytona Beach-Ormond Beach</b>	<b>21.1</b>
<b>56. Orlando</b>	<b>16.0</b>
<b>61. Lakeland</b>	<b>12.8</b>

SOURCE: Office of Federal Housing Enterprise Oversight