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Housing price tags continue to sizzle

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Frenzied buyers snapped up homes in Orlando, the state and nation last month, driving prices to new records yet again.

The median home price in Metro Orlando soared to \$225,000, a 33 percent increase over the previous year's price, according to the Orlando Regional Realtor Association.

Nationwide, the new record was \$207,000; statewide it was \$230,000.

Such a dizzying pace — Orlando's median home price jumped \$7,000 in the past month alone — is not something that can be sustained forever, said David Scott, an economics professor at the University of Central Florida.

"Such price increases are being driven by a once-in-a-lifetime low-interest-rate environment and opportunity," Scott said.

Indeed, interest rates continue to defy industry observers who have been predicting an inevi-

In Metro Orlando, sales increased 4.1 percent in May, according to the local Realtors' association. Nationally, sales increased 3.5 percent, according to the National Association of Realtors.

"Low borrowing costs and good income growth are the key factors behind this strength," said Nariman Behravesh, chief economist at Global Insight, a forecasting firm in Lexington, Mass.

The Orlando existing-home-sales market has set records for 11 consecutive years.

But there are signs of a cooling, both locally and nationally.

The number of unsold homes nationwide in May would be expected to take 43 months to all sell, compared with 4.1 months in April — suggesting that the number of homes on the market may be increasing faster than the number of potential buyers. Locally, there was a slight uptick in unsold inventory — 1.26 months in May compared with 1.24 months in April.

Still, the Realtors' local inventory at the close of May was just 3,253 homes — half of what was available in the Orlando area at the end of 2003.

And homes continue to sell at a torrid pace, with the average Orlando home remaining on the market only 30 days — the fastest pace in more than eight years.

Art Kent, a sales associate with ReMax Town Centre in Orlando, said he recently post-

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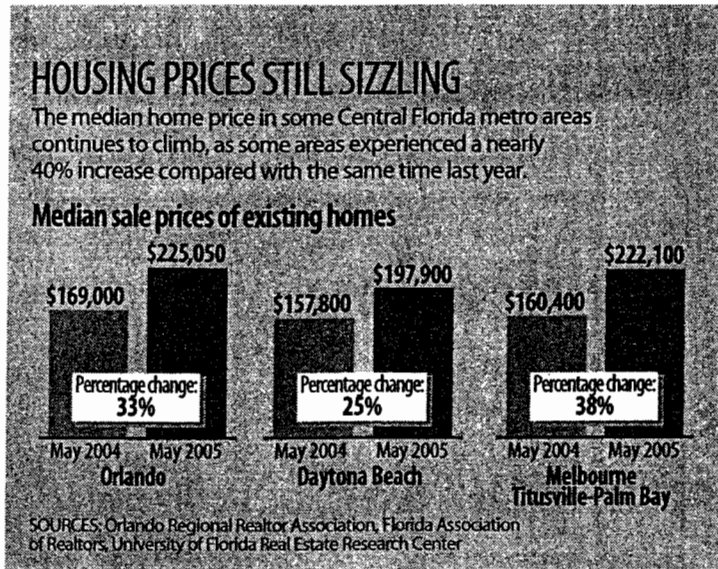
table trend of increases.

The average national rate for a 30-year fixed-rate mortgage this week is 5.57 percent, compared with 6.25 percent a year ago, according to Freddie Mac, the national home-loan buyer.

"Until the economy plunges or long-term rates more closely reflect robust economic fundamentals, we can expect the housing market to remain on the boil," said Stephen Stanley, chief economist at RBS Greenwich Capital, in Greenwich, Conn.

Despite rising prices, which are putting increasing pressure on first-time buyers and those with limited incomes, sales remain strong.

Housing prices hit new high



ed a listing, giving Realtors a week to submit offers. The west Orange County house — “it needed some repairs” — was listed at \$249,900. It sold for more than \$17,000 above that, he said.

For many Central Floridians — the ones who plan to stay in the area — the rapid escalation offers little chance to cash in.

Don and Samantha Warren thought about selling their Timacuan home in Lake Mary, figuring the house they bought seven years ago for \$185,000 was easily worth double that today.

But after looking at what was available and what they would have to pay, the couple decided to stay put and put some equity into home improvements.

“We love this neighborhood, and we couldn’t afford to replace what we already have,” Don Warren said.

Such a strategy is not uncommon, said Frank Filippelli, president of All Credit Lending Inc. in Longwood.

“We’re seeing many people refinance to make improvements and stay in their current house,” he said.