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Orlando's median home hits \$261,300

The past quarter's sales are the nation's 2nd-hottest, but the peak may be past

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» If the nation's housing markets level off next year as expected after their record-setting run-ups in price, Metropolitan Orlando will be much closer to the front of the pack than when it started.

RED-HOT HOUSING Orlando was the second-hottest market in the country for existing-home sales during the third quarter. The median price of a single-family home soared to \$261,300, a jump of nearly 45 percent from a year earlier, a national trade group reported Tuesday.

Only the Phoenix metropolitan area outpaced Orlando during the three months that ended Sept. 30, with price appreciation of more than 55 percent compared with the same period in 2004, the National Association of Realtors said.

Metro Orlando was ranked fourth in the nation during the second quarter, when its median price rose more than 36 percent, and six of the top 10 markets were in Florida. In the latest report, Orlando moved up two notches — and this time seven of the top 10 metro areas were in the Sunshine State, including Daytona Beach and Titusville-Melbourne.

Nationwide, existing-home prices surged an average of 14.7 percent in the third quarter — their biggest year-over-year increase since the second

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quarter of 1979. But back then, inflation was running at more than 10 percent a year, while these days it's less than half that, which makes the current appreciation rate all the more astounding.

Can it last? Well, no. The party may soon be over for homeowners who have watched their properties soar in value for a half-decade or more.

"Get ready for a dose of reality," said David Scott, an economics professor at the University of Central Florida. Double-digit gains in home prices "are not sustainable," he said, noting that economic growth overall is running far below 10 percent.

Orlando's median price in the third quarter was up from \$180,500 a year earlier. Nationally, the third-quarter median was \$215,900, and the 14.7 percent year-over-year gain was the second-greatest on record for the Realtors association, a spokesman for the trade group said.

Strong population and job growth have fueled not only Orlando's new- and existing-home markets but also those of all the major metro areas in Florida.

But the state's third-quarter figures got an extra boost because they were competing with July through September of last year, when three hurricanes crisscrossed peninsular Florida and a fourth hit the western Panhandle, disrupting home-buying activity and real-estate closings.

David Lereah, the national Realtors' chief economist, not-

Orlando-area home prices soar anew

HOME APPRECIATION

Top 10 metro areas for percentage change in home appreciation from previous year, 3rd quarter 2005:

(Median price in parentheses)

1. Phoenix (\$268,000) **55.2%**
2. Orlando (\$261,300) **44.8%**
3. Fort Myers (\$277,600) **42.5%**
4. Tucson, Ariz. (\$242,300) **34.7%**
5. Daytona Beach (\$208,200) **33.8%**
6. Titusville-Melbourne (\$212,800) **33.6%**
7. Ocala (\$151,500) **31.9%**
8. Pensacola (\$175,500) **31.2%**
9. Hagerstown, Md. (\$222,400) **29.5%**
10. Miami-Fort Lauderdale-West Palm Beach (\$386,600) **28.9%**

SOURCE: National Association of Realtors
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ed that the historically high price gains in Orlando and in dozens of other markets throughout the country have been the result of historically low mortgage rates and of demand for homes outstripping supply.

The number of homes available for resale in the core of the Orlando market, for example, fell from 10,000 a decade ago to 5,000 a year and a half ago before hitting bottom this past

April at 2,947 properties.

Since April, however, available inventory in the Orlando Regional Realtor Association's Multiple Listing Service has ballooned to more than 6,700 homes — the most in two years.

"The good news is that inventory levels are improving, and housing supply will come close to buyer demand in 2006," Lereah said. "We expect a healthy and more balanced market next year."

The national Realtors president, Thomas M. Stevens, noted that the previous lack of inventory had spurred bidding wars for the most desirable properties, pushing prices up wildly.

Since 1968, home prices have generally risen 1 to 2 percentage points faster than the country's overall rate of inflation. In the future, Stevens said, sellers should expect annual price increases to be much closer to those historic levels.

Mortgage rates have been rising along with Realtors' inventories: The average 30-year, fixed-rate mortgage last week came with 6.36 percent interest, according to the giant home-loan buyer Freddie Mac — the ninth week in a row that the average nationwide rate has risen.

"If we get interest rates above 7 percent, we'll see a significant pullback on housing valuations," said Scott, the UCF economist.

Suzy Sanderson, of Jackie Sanderson Real Estate in Orlando, said many home sellers are now willing to reduce their asking price to close a deal. Six

months ago, that was not the case.

"We're definitely seeing more of that these days," she said.

The median price of existing homes sold through the Orlando Regional Realtor Association — a geographically smaller database of resales than the one used by the national Realtors — was unchanged at \$245,000 in August and fell in September for the first time in a year to \$243,000.

But signs of a slowdown nationally were hard to see in the third-quarter figures released Tuesday.

Existing-home sales nationwide reached a seasonally adjusted annual rate of 7.24 million units during the quarter, a record pace and a 6.5 percent increase from the third quarter of 2004.

Statewide, third-quarter resales were up 7 percent from last year. In Metro Orlando, third-quarter sales were up 23 percent, and the Orlando Regional Realtor Association anticipates setting a 13th-consecutive annual sales record this year.

Lereah, the national Realtors economist, said he's "fairly confident" the nation's third-quarter sales total will mark the peak of the five-year boom in housing.

Still, he's predicting that sales in 2006, while slower, will wind up being the second-best on record.