

## Market recovering gradually

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Confused by the seesaw of news about the housing market? Some say it's getting better; while others say the market has yet to hit bottom. It is enough to make your head spin, and part of the reason is due to shifting momentum from month to month.

The number of home sales in Lee County did increase between February and March -- we will touch upon that in a moment -- but what we should be looking for is a sustainable trend that goes beyond one month or one quarter.

Examining residential sales activity during the past five years revealed some interesting findings, and we also will look at some current factors that could affect the housing market today and for the years ahead.

To put things in perspective, look at sales activity in Lee County just five years ago. There were 633 existing single-family homes sold in March 2002. In March 2007 there were 636 homes sold. Basically the volume of sales activity is almost exactly the same as it was before the housing boom in Southwest Florida. The median sale price more than doubled from \$128,300 in March 2002 to \$268,000 in March 2007. Not bad for a five-year period.

These encouraging facts may offer no comfort to those who purchased near or at the peak of the cycle, but if the home is intended to be a long-term investment as they historically have been, then anchor down and wait for the storm to blow over. If the purchase was purely speculative or there are other circumstances that necessitate selling a home, then these sellers are not alone in their predicament. Available inventory in Lee County is still more than three times the number that it was a year ago.

Nationwide home sales dropped to their lowest level in 18 years in March, according to the National Association of Realtors.

The decline in sales came despite the continued slide in home prices, and one reason for that could be attributed to tighter lending standards in the subprime mortgage sector. This makes it more difficult for buyers with poor credit to obtain financing to buy a home.

Rising foreclosures nationwide are adding to the already bloated inventories in some markets. "We may be seeing some losses as a result of the subprime fallout," NAR chief economist David Lereah said in a recent statement. "It's too early to measure a significant impact from tighter lending standards, which should moderately dampen activity." For those with good credit, the good news is that interest rates for a 30-year fixed-rate mortgage averaged 6.13 percent last month, a drop from the average rate of 6.32 percent in March 2006.

Getting back to our local perspective, market conditions are ripe for home buyers who can enjoy the vast supply of choices currently available in most price ranges. Buyers now have a window of low interest rates and flat or reduced prices from sellers who have accepted the soft market for what it is. That is a good catalyst for recovery, but it will be a gradual process so be careful not to assume that a 30-day period of activity is any indicator of a sustainable turnaround.

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