Finally, signs of housing rebound

Spring home-buying season spurring hopes for recovery

By Derek Kravitz
The Associated Press

WASHINGTON — Five years after the U.S. housing bust sent sales and prices plunging, the spring home-buying season is pointing to a long-awaited recovery.

Reduced prices, record-low mortgage rates, higher rents and an improving job market appear to be emboldening many would-be buyers. Open houses are drawing crowds. A wave of foreclosures is leading investors to grab bargain-priced homes.

And many people seem to have concluded that prices won't drop much further. In some areas, prices have begun to tick up.

Interviews with more than two dozen potential buyers, sellers, brokers, Realtors and economists suggest that confidence is up and that sales will move slowly but steadily higher.

"The biggest challenge that we've had over the past four years is fear — fear that the economy is collapsing, that property values are collapsing, that the world is coming to an end," says Mark Prather, a broker at ERA Buy America Real Estate in La Palma, Calif. "The fear factor is all but gone."

Prather says the number of prospective buyers who contacted his company last month was about 35 percent more than a year ago.

The spring buying season got an early lift-off from an uncommonly warm January and February — a winter that was the best for sales of previously occupied homes in five years. Permits to build houses and apartments rose in February to their highest level since 2008.

"People feel much more confident," said Steve Brown, co-owner of real estate company Irongate Inc. of Dayton, Ohio, who says sales jumped more than 16 percent for the first two months of 2012 over the same period last year. "There's no question there's a good feeling in the marketplace."

Some analysts detected a slight uptick in

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ON PLUS SIDE

Strong hiring: Each month this year saw solid jobs growth, cutting unemployment to 8.2 percent. Job security tends to embolden people to invest in homes.

Cheap loans: The average rate on a 30-year fixed-rate mortgage is 3.88 percent, just above the record low.

Affordable prices: Nationwide, home prices are down 34 percent since 2006.

More confidence: A survey of consumer confidence is up for seven straight months to a 13-months high.

Mixed signals

Still, few think the housing industry is nearing a return to full health. For that to happen, a robust job market would be needed. More hiring would give more people the money and job security to buy.

That would help boost sales and prices.

Such areas as Atlanta, suburban Las Vegas and central California show few signs of recovery. And in some others — from Seattle to Cleveland — home prices have continued to slip. The average has dropped 9 percent in Seattle over the past 12 months and 7 percent in Cleveland.

But in many parts of the country, including thriving areas of Boston, Dallas and Seattle, confidence is rising along with prices. Among the reasons:

» Hiring has strengthened. Each month from January through March generated a solid average of 212,000 jobs. Unemployment has sunk from 9.1 percent in August to 8.2 percent. More job security tends to embolden more people to invest in homes. In Dayton, for example, the University of Dayton is hiring for a new engineering research center, General Electric is hiring hundreds of contractors and the nearby Wright-Patterson Air Force Base are expanding.

» Loans remain cheap. The average rate on a 30-year fixed-rate mortgage is 3.88 percent. That's just above the 3.87 percent reached in February — the lowest since long-term mortgages were first offered in the 1950s.

» Homes are more affordable. Nationwide, home prices are down 34 percent since 2006.

» Americans are more confident. The Thomson Reuters/University of Michigan's survey of consumer confidence rose in March for a seventh straight month to its highest level in 13 months.

Also fueling interest are signs that home values are finally stabilizing. One fac-

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prices for February and March. CoreLogic, a real estate data firm, says prices for homes not at risk of foreclosure — about two thirds of the market — rose 0.7 percent in February. It was the first increase in four years. Price gains occurred both in some hard-hit areas, such as Phoenix, and some still-thriving areas like New York and Washington.

In Miami, the average sales price has surged 14 percent in the past year, according to Trulia, a real estate data firm. In Phoenix, the average is up 13 percent, in Pittsburgh 9 percent.

Earnings reports Friday from two big banks suggested that more people are taking out mortgages. JPMorgan Chase issued 6 percent more mortgages from January through

tor that had slowed purchases after the housing boom ended in late 2006 was fear that a home would lose value soon after its purchase.

But the price declines slowed toward the end of 2011, according to the Wells Fargo/Case-Shiller home price index. And CoreLogic says the average price nationally rose slightly in January and February.

Ready to jump in

"Unless prices went down, I don't think we would have ever been able to afford a home," said John Henschel, 37, an information technology consultant who will move with his family into a five-bedroom house in Wheaton, Ill., in May. "But we feel like prices aren't going to go back down. We're confident. So why not?"

When the landlord on their Chicago apartment told them he was selling it, Henschel and his wife decided it was time to buy. The home they bought for nearly $450,000 could have fetched more than $570,000 six years ago, according to housing website Zillow.com.

On a rainy Saturday this month in long-struggling Riverside, Calif., 12 families visited a three-bedroom house priced at $199,999. Ten others stopped by in the first hour of the next day's open house. By the end of the weekend, two buyers had made offers.

"We're seeing more buyer activity this spring than we've seen in probably four years," said Liane Thomas, the broker who was showing the house.

Prices in the area could rise in coming months because the supply of homes for sale in Riverside is down — from nearly 19,000 last year to 13,000 in February.

Many potential buyers are hunting for deals in places that were especially hurt by the housing bust.

In Sarasota, Fla., which boasts wide sugar-sand beaches, condos are selling for an average of $325,000, compared with more than $550,000 at the height of the boom, said Marc Rasmussen, a broker.

Homes nearing foreclosure account for nearly half of all the properties on the market, according to the Campbell/Inside Mortgage Finance HousingPulse survey.

That compares with 10 percent in healthy economies. Many are receiving multiple offers because their prices have plunged.

In Phoenix, a foreclosed home offered for $77,000 that had been vandalized received 21 offers last month at or near the asking price — roughly the price it sold for.

The average time a home sits on the market in Phoenix has dropped from 114 days last year to 90 days, according to the Cromford Report, a data research group.

In suburban Washington, D.C., Rory Obletz and his wife have been saving to buy after renting for six years. Obletz, 27, failed in two previous bids for single-family homes. He's hoping a third bid — about $10,000 above the asking price of $399,000 for a home in Silver Spring, Md. — will succeed this month.

"One home we went to, it was under contract by the time we walked out of the house," Obletz said. "If you really want to get something, you don't have a lot of time to think about it."

It isn't just bargain-hunting families seeking homes. Investors are increasingly buying single-family houses, fixing them up and re-selling them or converting them into rentals.

Investors are out-bidding many first-time buyers on cheaper homes in particular. Sales of homes between $100,000 and $250,000 have jumped nearly 19 percent over the past year. For homes between $250,000 and $500,000, sales are up 13 percent.

More expensive homes, from $500,000 to $750,000, whose sales tend to contribute the most to the U.S. economy, are up a smaller 6.7 percent.

For buyers seeking to move up to bigger homes or to relocate, the toughest challenge is often selling the homes they're in. According to CoreLogic, about 11 million homeowners are "underwater" — they owe more on their mortgages than their homes are worth.

Yet for first-timers like Obletz, who have been saving and watching as homes have become more affordable, the time feels right.

"Rent is a little more expensive, and we have the money, so we might as well jump on it," he says.



John and Megan Henshel pack belongings in the Chicago condo they'd rented to move to a home they just bought. When their landlord told them he was selling it, they decided it was time to buy a home. M. SPENCER GREEN/AP