

RECORD GAIN IN ALABAMA

# Housing values soaring

◆ Median home price in state hit \$134,000 in 2005

By ANDREA JAMES

Business reporter

---

The price of a typical home in Alabama grew at a record pace in 2005, gaining an average \$24 per day according to data recently released by the Federal Deposit Insurance Corp.

The median home price in Alabama was \$134,000 in 2005, according to Jack Phelps, regional manager of FDIC's Division of Insurance & Research in Atlanta.

The median price is the point at which half of the homes cost more and half cost less. Over the past 25 years, the median price of Alabama homes has risen by an average of \$10 a day, he said.

In 2005, price gains were most visible in Montgomery, where the median rose by \$42 per day, followed by Mobile at \$38 and Birmingham at \$30, Phelps said.

Such rapid price spikes usually carry a corresponding dip in affordability, but economists say there's no danger yet that the state will face the same affordability problems encountered by residents of the West Coast, Northeast and Florida.

Housing value gains are an asset for homeowners and welcome news to people who see the housing market as a safe alternative to the stock market, according to the Len Zumpano, Executive director of The Alabama Real Estate Research and Education Center in the Culverhouse College of commerce and Business Administration at the University of Alabama.

But Skyrocketing prices are bad news for people who have yet to buy their first homes. Nationwide, housing affordability is at a 15-year low, Phelps said.

"If you are coming from a high price area like Florida or California, Alabama looks incredibly cheap," Phelps said. "But if you've lived in Alabama for a while and want to come into the market, it's increasingly difficult for you."

Affordability is measured by comparing salaries to home prices, Zumpano said.

Jobs apparently aren't a problem in Alabama, which has one of the lowest unemployment rates in the nation. Alabama's unemployment rate reached a historic low of 3.6 percent in February, well below many Southern states and the national average of 4.8 percent.

Housing demand is expected to increase over the next 15 years, buoyed by an increasingly affluent baby boomer population, Zumpano said. Empty nesters are in their peak earning years; once college payments stop, they suddenly find themselves with a lot of money, Zumpano said.

“They have a lot of pent-up consumption,” he said.

Nationally, 40 percent of existing homes sales have been second homes, he said.

Demand is also bolstered by the children of those baby boomers, or the echo boom. Those people are hitting the 25 to 34 age range, a prime time for first home buyers, Zumpano said. Many of them are seeking condominiums and town homes in urban locations, so Alabama’s variety of metropolitan areas means the state can capitalize on that housing boom, Zumpano said.

Even while housing demand increases, rising mortgage interest rates should prevent the sort of inflation that makes buying a home nearly impossible except for the very rich, Zumpano said.

“I see no evidence of a real shakeout in Alabama’s housing markets,” Zumpano said. “Rising interest rates solve that problem.”

But rising interest rates tend to dampen demand in vacation markets. Only Baldwin County saw a decline in home sales in January, 11 percent, over the previous year, FDIC’s Phelps said.

“The Baldwin County situation is a little bit worse,” Phelps said. “We see some softening on the Gulf Coast, in Florida markets as well, particularly with the condominiums right now.”

The FDIC’s quarterly report also contained bullish remarks on the state’s auto sector employment, which saw double digit growth last year.

While the auto industry in Michigan and Ohio is lagging the foreign owned auto manufacturing is 10,000 directly, with as many as 35,000 to 40,000 other jobs supporting Alabama’s four assembly plants.

The FDIC said auto employment is “an exceptionally bright spot in the state’s economy,” and the “impact of these jobs is amplified by the fact that the industry’s average annual salary is more than twice the state average.”

Overall job growth was 2.2 percent in the fourth quarter compared to a national increase of 1.4 percent, according to the report.

End