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Housing Market Stable, 'Quiet'

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It's still a buyer's market in residential real estate, even with the expiration of federal tax credits April 30.

"Those were put in place to give the market enough momentum to right itself," said Ethan Nobles, Arkansas Realtors Association spokesman. "The question is: Has that happened? Right now, we don't know whether it's worked or not."

The first-time homebuyers tax credit was in place for about two years but more heavily promoted, increased and used in 2009.

It offered a credit of 10 percent of the price of a home up to $8,000 to a first-time buyer.

Qualified current homeowners also benefited starting in November from a $6,500 credit with the recent changes in November.

Some realtors expect a lull in buyer interest without the credits, but no dramatic or lasting fall-off.

"It's been quiet as a church mouse since the end of April," said Bill McCord, associate broker with Warnock Real Estate. "Like most stimuluses, it was short-lived. Things are going to get better. Especially around here, we've not seen a big surge in prices. The market it's hurting in Fort Smith is $250,000 and up. There are no new buyers in that price range."

Nobles said most home prices statewide are attractive and interest rates have stayed low. Those factors make it a good time to buy.

Early in the recession, many sellers wanted too much in price, and buyers thought they could get away with paying very little for a home.

"What we have now is sellers who are more realistic about what their homes actually are worth," he said. "Buyers aren't expecting to go in and get a ridiculous discount. I think expectations have caught up with reality. That's helped a lot. ... More than anything, that will help pull us out of this."

He said he expects second-quarter performance in residential performance to be on a par with last year. One factor that Nobles said he and other real estate professionals closely watching is the foreclosure rate.

Foreclosures

"I think foreclosures will continue to be a factor as long as unemployment is a factor," said Kathy Deck, director of the Center for Business and Economic Research. "What you're seeing is when people lose their jobs, then something else happens. It makes keeping a home almost impossible. Folks don't have a lot of equity in their homes. Any downturn combines with the loss of a job to be devastating."

She said foreclosures are up statewide but are highest in northwest and central Arkansas.

According to a news release from CoreLogic, 1.45 percent of Arkansas home mortgages were in foreclosure in March, up from 0.96 percent in March 2009.

"Foreclosures and short sales have increased," said McCord. "We've all been a part of those. Yes, it has increased, but it's not panic like it has been in other parts of the country."

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The mortgage foreclosure rate for the Fort Smith area rose to 1.88 percent, an increase of 0.77 percentage points from 1.12 percent in March 2009.

"Fort Smith has weathered this pretty well if you look at the numbers," Nobles said. "The market there is dramatically different from what happened in northwest Arkansas. You had explosive growth. You had young professionals show up who had to have everything now, and some of them got themselves in trouble."

As late as 2007, homebuyers still were purchasing homes using adjustable rate mortgages, many of which reset after five years. That means higher foreclosure rates could last until 2012.

Deck said that often is a time when a mortgage payments might increase and the risk of loan default increases with it.

That's one of the reason the Federal Reserve has worked to keep interest rates low and foreclosures down.

Eventually though, the Fed will have to disengage from the mortgage market.

"That's another headwind for consumers and foreclosures," she said.

Foreclosures is one of the factors that is moderating home prices.

"A lot of the market is affected by that," said Larry Rhodes, owner and executive broker of Re/Max Executives. "They're selling below market value, so it's hurting prices. It's hurting the way buyers approach it because it's a buyer's market."

While foreclosures may remain as a lingering drag on the residential market, they may not increase sharply enough to surprise anyone either.

"I'm not expecting

foreclosures to suddenly ramp up, but we're going to see a high and consistently uncomfortable level through the end of this year and into next year," she said. "It's related to the health of the macroeconomy."

Looking Ahead

Rhodes said he thinks second-quarter 2010 sales will about match those a year earlier or only

vary slightly from '09 numbers.

Although the credits are gone, they may have generated a psychological lift for both buyers and sellers by keeping transactions happening during the recession.

"The activity that went on was a positive for the future months to come," he said. "It stirred some interest and helped consumer confidence."

McCord said he expects prices to remain stable.

According to data released Tuesday by the ARA, home prices have recovered most of any ground they lost in the past 12 months.

The average price for a home in Sebastian County was $122,295 in the first quarter of 2010, a fall of 1.29 percent from $123,896 in first quarter 2009.

In Crawford County, the average dropped 1.69 percent to $116,350 from $118,350.

Nationally, they're down about 15 percent, said McCord.

"Prices will remain favorable," Nobles said. "We hope we see sales continue to improve even without the tax credit. We hope buyers will look at low interest rates and home prices. That should swing them."