

The Alabama Housing Affordability Index 3rd Quarter, 2008

Alabama Housing Affordability Index Shows Declines

The Alabama Housing Affordability Index for the third quarter of 2008 showed the second decline in 2008 when compared to the 2008 first and second quarter results. The 2008 first quarter Affordability Index for Alabama housing was at the highest level since the first quarter of 2005. Alabama's housing does continue to remain affordable for Alabama's home buyers says the Alabama Center for Real Estate at the University of Alabama but the index has shown a shift downward to 154.4 from 167.4 which is a 7.77 percent decrease from the second quarter of 2008 results of 167.4. The decline was a result of an increase in the median sales price of Alabama homes from \$132,420 to \$139,591 and an increase in the third quarter 2008 composite monthly interest rate to 6.39 percent from 6.12 percent in the second quarter which in turn was an increase from the first quarter rate of 6.02 percent.

On the national level, the difference of the national second quarter of 2008 National Housing Affordability Index (HAI) of 127.7 and the third quarter, 2008 national HAI results of 127.1 showed only a 0.46 percent decrease for the nation in home affordability as the national results basically held steady.

The standard definition used by the Alabama Center for Real Estate in describing the statewide housing affordability index is as follows, "The statewide housing affordability index is calculated as the ratio of the state's actual median family income to the income needed to purchase and finance the state's median priced home. An index number of 100 means that a family earning the state's median income has just enough buying power to qualify for a loan on the state's median priced, single-family home, assuming standard underwriting criteria. The higher the index number is the more affordable the housing."

The results of Alabama Housing affordability Index survey of an affordability index of 154.4 for the third quarter of 2008 means that an Alabama family who earned the statewide median income of \$51,700 had approximately one and one half (or 1.54 times) the income needed to qualify for a loan to purchase the statewide median priced home. The U.S. HAI index during the same time frame was 127.1 which was a very small decrease percent from the 127.7 HAI from the second quarter of 2008. Across the U.S., this reflects that households earning the U.S. median income of \$61,500 would still be able to afford a \$201,667 house which was the median price of a home across the nation.



As the Third Quarter of 2008 results of the Alabama Housing affordability Index are reviewed by reporting location, Montgomery, of the areas reported in the Metro Area grouping, showed the greatest percent of increase over the second quarter 2008 AHAI with an increase of 5.39 percent. The next highest changes were posted by Calhoun County (Anniston) with a 1.82 percent increase and Birmingham with a 1.77 percent increase.

For the rest of the Metro Area, the results for each area for the third quarter 2008 over the previous quarter are as follows:

Tuscaloosa	-0.85%
Dothan	-0.94%
Gadsden	-1.44%
Mobile	-2.17%
Huntsville	-2.34%
Lee County (Auburn, Opelika)	-6.68%
Muscle Shoals (Florence)	-7.70%
Baldwin	-10.58%

For the County Areas, the AHAI results from the third quarter in 2008 show that Walker County showed a with a 3.47 percent increase followed by Cullman County's almost even result of a 0.04 percent increase. The remaining County Areas all show decreases as follows:

Marshall County	-6.37%
Monroe County	-6.46%
Talladega County	-6.88%
Lake Martin (Tallapoosa)	-44.09%

(In smaller volume reporting areas, a relatively small change can cause a large percent of increase or decrease. Please review the Monthly Housing Statistics posted on the ACRE website at <http://www.acre.cba.ua.edu/> to review the volume of sales that produced the Median Home Price for each reporting area.)

Alabama Affordability Index Percent Change by Rank - 2Q 2008 vs. 3Q 2008

Metro Areas by Rank:

Montgomery	5.39%
Calhoun County (Anniston)	1.82%
Birmingham	1.77%
Tuscaloosa	-0.85%
Dothan	-0.94%
Gadsden	-1.44%
Mobile	-2.17%
Huntsville	-2.34%
Lee County (Auburn, Opelika)	-6.68%
Muscle Shoals (Florence)	-7.70%
Baldwin	-10.58%

County Areas by Rank:

Walker County	3.47%
Cullman County	0.04%
Marshall County	-6.37%
Monroe County	-6.46%
Talladega County	-6.88%
Lake Martin (Tallapoosa)	-44.09%
Statewide Average	-7.77%
US Average	-0.46%

ACRE Staff Report

NOTE: This representation is based in whole or in part on data supplied by the reporting boards/associations of REALTORS® or their Multiple Listing Service. The Alabama Real Estate Center does not guarantee and is in no way responsible for its accuracy. Any market data maintained by the Center does not necessarily include information on listings not published at the request of the seller, listings of brokers who are not members of a local board/association or MLS, unlisted properties, rental properties, etc. The statistics included in this report reflect the residential sales of houses, condominiums, and townhomes. Historical Monthly Housing Statistics are available on the web at Alabama Center for Real Estate's homepage - www.acre.cba.ua.edu.

Some of the totals in the report may vary due to rounding.

Sources: The Alabama Center for Real Estate, in the Culverhouse College of Commerce and Business Administration, at the University of Alabama and the Alabama Association of REALTORS. National data supplied by the Federal Housing Finance Board, and the Research Division of the National Association of REALTORS®