

## Alabama Monthly Housing Report - September 2008

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September home sales in Alabama totaled **3,761** units, a decrease of **6.4** percent from the prior month. September sales also reflect a decline of **12.2** percent or **516** fewer homes sold when compared to September of last year. On a positive note, this figure represents the first sales percent change below 20 percent since February, snapping a string of six consecutive months of unprecedented declines in the number of homes sold. However, this figure should also be viewed in the context that the preceding September was the first month in 2007 with a significant reduction in sales after the subprime crisis began in earnest. As a result, one could anticipate a narrowing percent change during September based upon the lower comparative units from the prior year. The monthly sales velocity also reversed recent trends when compared with the 5-year sales average ('03-'07) for the month of September, which is **4,603** units, or **18.3** percent greater than the current results. 2008 YTD home sales decreased by **21.8** percent (down from 22.8 percent from prior month) when compared to the same period in 2007 (35,558 vs. 45,459). None of the five major metro areas experienced monthly or YTD growth in year-over-year sales percentage. In September, seven (up from five in August) areas including Baldwin, Calhoun County, Cherokee County, Dothan, Lee County, Marshall County, and Walker County saw home sales surpass those from the same month last year. Mobile (-17.4 percent) and Huntsville (-18.1 percent) are Alabama's only major metro markets that are currently outperforming the statewide YTD sales percent change. The top three mid-market areas are Muscle Shoals/Florence (-9.6 percent), Dothan (-12.5 percent), and Wiregrass (-13.7 percent). The top three rural areas are Talladega County (0 percent), Monroe County (-2.2 percent), and Calhoun County (-18.5 percent). The only area with neutral year-over-year sales growth was Talladega County.

**Total statewide homes listed for sale of 43,156** units during September 2008 decreased by **.96** percent from August 2008. Historically (5-yr average '03-'07), housing inventory has increased **1** percent between August and September. Another move in the right direction, housing supply during the month of September decreased **2.97** percent when compared to the same month last year. Alabama home builders continue to yield to current market conditions, as reflected by the **27** percent reduction of September 2008 versus September 2007 building permits and a **37** percent reduction of YTD building permits as tracked by the Alabama Center for Real Estate (*see our website: construction statistics tab*). The 5-year inventory average ('03-'07) for the month of September is **32,074** units for sale, or **34** percent lower than the current inventory level, but an improvement from a 37 percent decrease experienced last month. Birmingham (14.6 percent YTD decrease), Montgomery (7.3 percent decrease), and Tuscaloosa (.56 percent decrease) represent the major metro areas that have experienced year-over-year reduction in inventory, while Baldwin County (11.9 percent decrease) and Phenix City (30.5 percent decrease) were the only midsize markets to experience the same. Marshall County (1.2 percent decrease) was the only rural area with year-over-year inventory reduction. The inventory of homes for sale at the current sales pace is represented by the **inventory-to-sales (I/S) ratio**. The September 2008 I/S ratio was **11.5** months, indicating that at the current sales pace, the existing supply of homes would be depleted in 11.5 months, significantly higher than the previous five-year ('03-'07) average of **7.1** months during September. **Overabundant inventories must shrink for the market to stabilize.** The **average days on market (DOM)** during September 2008 were **133**, which represents an increase of **1.4** percent from the 131 days from list to sale in August 2008. The DOM in September 2008, when compared to September 2007 (125 days), increased by 6.9 percent. The YTD DOM through September 2008 increased by **10.4** percent when compared to YTD September 2007 (135 days vs. 122 days). The 5-year average DOM ('03-'07) for the month of September is **131** days which **1.3** percent less than the current results. Five local markets, or 22 percent (seven as of last month), reported year-over-year decreases in DOM, with Birmingham leading the major metro markets with a 9.9 percent decrease in DOM and Calhoun County leading rural areas with a decrease in DOM of 24.8 percent.

The **median selling price** in September 2008 decreased by **5** percent when compared to September 2007 (\$125,401 vs. \$132,002). The YTD median selling price through September 2008 decreased by **.02** percent when compared to YTD September 2007 (\$129,393 vs. \$129,414). The 5-year average median selling price ('03-'07) for the month of September is **\$119,481** or **4.9** percent lower when compared to current results. Eight local markets, or 35 percent (down from 57 percent last month), reported September 2008 versus September 2007 median selling price gains, with Mobile leading major metros with 9.8 percent price growth, Phenix City topping the midsize markets with 6.9 percent price growth, and Monroe County outpacing rural areas with an increase of 25.6 percent. The **average home selling price** in September 2008 decreased by **6.7** percent when compared to September 2007 (\$156,407 vs. \$167,715). The YTD average home selling price through September 2008 decreased by **0.15** percent when compared to YTD September 2007 (\$158,770 vs. \$159,016). The 5-year average selling price ('03-'07) for the month of September was **\$148,827** or **5** percent lower when compared to the current results. Six local markets, or 52 percent (unchanged from last month) of reporting areas, reported year-over-year average selling price gains, with Mobile leading major metros at 13.4 percent, Cullman topping the midsize markets with 4.9 percent price growth, and Marshall County outpacing rural areas with an increase of 26.8 percent. It should be noted that median price statistics above are considered the most appropriate method when analyzing price parameters.



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## Alabama Economic Trends

According to UA's Center for Business and Economic Research (CBER), "both Alabama consumers and businesses are expected to remain cautious for the rest of 2008; relatively high prices for food, energy, and other commodities, as well as the continuing slump in housing markets will have a significant effect on both economic growth and payrolls. The state's economy is at best predicted to grow around 1.0 to 1.5 percent through the end of the year. Over the next two or three quarters, the U.S. economy will continue to struggle under mounting job losses.... We (CBER) expect U.S. economic growth to be negative in both the fourth quarter of 2008 and the first quarter of 2009. Overall, the U.S. economy is now estimated to grow by 1.2 percent in the third quarter and decline by a slight 0.2 percent in both fourth quarter 2008 and the first quarter 2009." The Alabama September unemployment rate of 5.3 percent (up from 4.9 percent in August) continues to reflect a lower figure than the national rate of 6.1 percent; however, it is significantly higher from the state's September 2007 rate of 3.5 percent. From September 2007 to September 2008, Alabama has lost approximately 1,200 jobs. The complete report can be viewed at [www.cber.cba.ua.edu](http://www.cber.cba.ua.edu).

## Alabama Real Estate Trends

### Quarterly Comparison:

	<u>3<sup>rd</sup> Qtr 2008</u>	<u>3<sup>rd</sup> Qtr 2007</u>	<u>% Change</u>
Avg. Home Sales per month	4,045	5,150	<b>down 21.5%</b>
Avg. Median Sales Price	\$133,879	\$131,805	<b>up 1.6%</b>
Avg. Inventory per month	43,795 units	44,529 units	<b>down 1.7%</b>
Avg. Monthly Supply	10.9 months	8.8 months	<b>up 23.9%</b>
Avg. Days on Market	136 days	119 days	<b>up 14.3%</b>

**Trend Comments:** Unsurprisingly, the 3<sup>rd</sup> quarter results are consistent with the 2<sup>nd</sup> quarter of 2008 and continue to illustrate today's extremely challenging real estate market. During the 4<sup>th</sup> quarter, the Alabama real estate market will continue to reflect a period of significant correction as demand continues to remain below levels consistently achieved during the prior five-year period ('03-'07). Median home prices in Alabama may begin to establish a more pronounced near-term downward trend in the final quarter of 2008 and the 1<sup>st</sup> quarter of 2009 as the housing inventory continues to significantly exceed levels needed to fulfill current levels of demand, but this trend is necessary if the state is to move toward a greater balance between supply and demand.

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### Year-To-Date Comparison (2008 versus 2003):

	<u>Sept 08 YTD</u>	<u>Sept 03 YTD</u>	<u>% Change</u>
YTD Home Sales	35,558	36,291	<b>down 2.0%</b>
YTD Avg. Median Sales Price	\$129,393	\$105,274	<b>up 22.9% (4.6% per yr)</b>
YTD Avg. Inventory per month	43,616 units	26,946 units	<b>up 61.9%</b>
YTD Avg. Monthly Supply	11.2 months	7.0 months	<b>up 60.0%</b>
YTD Avg. Days on Market	135 days	151 days	<b>down 10.6%</b>

**Trend Comments:** YTD sales trends through September 2008, totaling 35,558 units, are very similar to YTD sales through September 2003 when 36,291 units were sold. However, comparisons to other 2003 market indicators reveal a very different story, some favorable, others unfavorable. Year-to-date median sales price have **yet** to follow sales declines and remain 23 percent above 2003 levels. Surprisingly, days on market also compare favorably to 2003, with 16 fewer days on market, despite the elevated housing inventory. The increase in housing supply represents the most notable and significant unfavorable variance when comparing the trends associated with the two years.

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