



Bob Gathany/Huntsville Times

In the growing area north and west of Huntsville, Indian Creek Townhomes are under construction on Blake Bottom Road.

How's our housing?

Huntsville market still strong, bucking national trend

Prices have increased during past five years

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Huntsville custom home builder Jim Neighbors says that five years ago in Huntsville a builder wouldn't dream of building a half-million dollar spec home, but today there are plenty of them around.

While much of the country has been battered by falling home prices, rising foreclosures, and suddenly lean times for home builders, Madison County had 2,588 single-family home starts in the first nine months of 2006 and 2,329 more through the first nine months of 2007, according to the Huntsville Madison County Builders Association.

"It's in all price ranges," said Neighbors, owner of Old Towne Homebuilders and president of the local builders association. "The difference we're seeing today in Huntsville, is that the price ranges of new homes five years ago, was probably \$80,000 to \$400,000. Now that range is from \$125,000 to \$2 million.

"What you've seen over the last five years is tremendous growth on the

upper end of the market."

Kristy L. Smith, retail mortgage production manager for Regions Bank in Huntsville, said the lending industry is continuing to work through problems spurred by the subprime mortgage crisis. That means changes in pricing and loan parameters, she said, but Huntsville's activity level remains high.

"The overall economy in Huntsville is good," she said. "Typically during this time of year we experience a normal slowdown. However, we have seen an increase in activity and applications over the last few weeks."

The Huntsville Area Association of Realtors reports the average price for a home in Huntsville was \$189,872 in 2006. Through November, it is an estimated \$196,549. Those figures don't include another roughly 500 generally higher-end homes a year sold by builders not included the Realtors' multiple listing service.

On and on

The expected move of some 4,700 jobs directly related to the base realignment process over the next four years has helped spur the building boom, but the area's very solid economy is the larger explanation, said Betty Hughes, president of the Realtors association.



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Betty Hughes is president of the Huntsville Area Association of Realtors.

"I've not seen an area that has not seen growth," Hughes said.

But with the national news daily re-

In today's Times

With 100 percent financing, the term "homeowner" has become a real misnomer. **B4**

porting plummeting home prices, Hughes said she is spending more and more time counseling people that Huntsville's market is nothing like trouble spots in Florida and California and the upper Midwest.

Doris Nurenberg, who recently moved here to serve as the association executive for the board of Realtors, said her home near Flint, Mich., was worth \$800,000, now she's faced with a market value of \$500,000 as she tries to sell it.

"Huntsville has not fallen into the same traps the rest of the country has fallen into," she said.

That national trend may be felt in Huntsville in one respect, Hughes said: Homeowners in places like Virginia, who could move here as part of the BRAC process, are currently facing a difficult market as they try to sell their homes.

The number of days on the market in Huntsville, from listing to sale, is currently up to around 99 days for the past

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two months. Hughes said buyers have become more cautious in the face of the national news. This summer, a traditionally busier time, the days on market according to the Huntsville MLS was 78 days in June, 69 days in July and 83 days in August.

Hughes said the foreclosure rate here is about .25, less than 1 percent, a number in sharp contrast to current national

delinquency rates of 5.59 percent, the highest figure in the U.S. in 20 years.

Jennifer Brittain, senior vice president of Servis 1st Bank's mortgage lending division, said the Huntsville market continues to grow, while in most of Alabama, things have flattened.

Consumers with good credit are paying a price for the overall mortgage woes, she said. For example, a couple with an good credit score wanting to borrow \$500,000 is going to pay another 1.5 percent more - on a so-called jumbo loan - than they would have paid even six months ago. The rate today,

with that risk premium required by investors is around 7 percent, Brittain estimated.

Neighbors said a change that he's seen in homebuyers is a greater willingness to spend more money per square foot to ensure the home has more amenities.

"We were such a price per square foot driven market, people would be buying a 6,000-square-foot home, so they could get subzers (freezers) and outdoor kitchens and other luxuries and the math works," he said. "Now people are sick of big houses, they see 3,000 (square) foot house gives them all the liv-

ing space they need."

He said in the custom home market the going price per square foot five years ago was between \$90 to \$110 per square foot. Today in the upper end of the market, people are choosing to pay between \$180 and \$240 per square foot.

All the building here raises questions about the risks of overbuilding, which would mean hard times for builders and a depressed real estate market.

Hughes said the steady demand for homes, the influx of BRAC jobs and Huntsville's growing reputation as an island

of stability suggest that it would take a disaster for the market here to bottom out.

Neighbors said builders have kept pace with the steady growth here and inventories - number of houses sold in a month divided by the number available - has risen slightly this year, but is not close to an unwelcome surplus.

"I think we're well away from that," Neighbors said. "What I've tried to tell builders I'm in touch with is patience, patience, we can't overbuild. Our inventory typically runs two to three months on the ground. We started getting that number

up to six or seven months, but that's a figure people across country would be begging for."

Neighbors said an inventory that would take 12 months to sell the homes available would start to raise concerns.

"If it starts getting to 12 months, 15, 24 months, everybody's going to get nervous," he said. "If we get out too soon, it will hurt our business. If we're too far behind, prices go up and that hurts the consumer."

The National Association of Realtors estimates the current national average for inventory of homes is around 10.8 months and climbing.