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Utah home appreciation expected to outperform most areas of the nation

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Real estate

Home sales are falling across the country, leaving many worried that prices will soon follow.

But home owners along the Wasatch Front shouldn't worry too much about a real estate market downturn, a top economist said Tuesday.

"Utah is going to be performing better than the national average in terms of housing starts and appreciation for the next year," said Dave Seiders, chief economist for the National Association of Home Builders, or NAHB.

He bases the rosy outlook on Utah's strong economy, high employment growth and the fact that the state did not have the same run-up in prices that other areas have had in recent years.

Seiders is traveling to Salt Lake City for the NAHB's annual fall board meeting, which opens today in Salt Lake City and runs through Sunday. The event, expected to attract an estimated 2,000 representatives of building companies, comes at a time when many builders in many parts of the country are struggling with reduced demand for new homes.

Nationwide, the housing downturn will linger through next year, Seiders said.

"I expect price appreciation rates to be very low or even scraping into the negative territory during that time," he said.

He expects housing markets to "bottom out" in mid-2007 and rebound noticeably in 2008.

One reason, he said, is that mortgage rates, hovering at the 6.5 percent range for a 30-year loan, aren't expected to rise significantly in coming years.

"Long-term mortgage rates will be stable for this year and next year," he said.

And the specter of double-digit home loan rates?

"That's just not in the cards," he said.

Although the market will recover, homeowners nationally have to re-adjust their expectations, David Lereah, the chief economist for the National Association of Realtors, said in a recent report.

"Buyers in most of the country who plan to stay in their home for a normal period of homeownership can pretty well bank on [earning] historic averages," roughly around the rate of inflation plus one or two percentage points.

Because appreciation will resume at a much less brisk pace, "people who purchased last year with the intent of flipping are likely to get burned," Lereah said.

The Realtors group expects that median sales prices of existing homes nationally will grow only 2.8 percent this year, to \$225,900.

The median price of new homes will rise only 0.2 percent, to \$241,400, reflecting efforts by builders to sell in a weak market.

Median selling prices in Salt Lake County (mostly for existing homes) rose 20.8 percent in the second quarter, to \$220,000, from the same period last year, according to the Salt Lake Board of Realtors.

Some economists are predicting continued appreciation of at least the 8 percent to even 10 percent range over the next year.

From Jan. 1 to Tuesday, builders took out permits for the construction of 10,771 single-family homes along the Wasatch Front, down slightly from 10,826 during the same time period in 2005 but up from 9,865 in 2004.

The home-building market in Utah is a bit softer than last year - but not by much, said Derek Wright of Wright Homes. "It's hard to compare to 2005 because we had such high demand come on so quickly."

Wright, past president of the Salt Lake Home Builders Association, believes that if interest rates remain stable and Utah's job growth continues at high levels, "the real estate market [in Utah] will stay strong now and into next year."

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