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HOUSING MARKET OFFERS GOOD BUYS – BUT FOR HOW LONG?

Local Experts Report Fewer Homes Being Built, Increased Closings Expected and More Buyers Looking and Competing for Homes

LOUISVILLE, KY, MAY 25, 2008 – With an abundance of new homes for sale in the Louisville area in recent months, buyers have had the luxury of taking their time and, in many cases, naming their price in their hunt for a newly built house. The current "buyer's market," as it is perceived by many prospective homebuyers, however, won't last forever. In fact, local housing experts say that with fewer homes being built, low interest rates and incentives offered by local builders, the best time to get a good deal on a newly built home is right now, as opposed to later.

According to the Home Builders Association of Louisville (HBAL), the year started out with a 9-month supply of new homes on the market. Ideally, there should only be a 4-5 month supply. In an effort to reduce that inventory, builders have temporarily taken off their tool belts, rolled up their shirt sleeves and gotten down to the nitty-gritty of what it takes to sell a new home in today's local market. Many have offered buyers incentives and worked with them on financing. Others have added amenities to their homes, giving buyers more for their money. Some have focused more on taking on remodeling jobs instead. "There have been a lot of creative approaches to how builders have conducted business in recent months," said HBAL President Rocky Pusateri, Elite Homes. "They've drastically reduced the number of spec homes they're building and have concentrated on trying to appeal to buyers for the homes they already have," he added. The recent Tour of New Homes in May offered more than 150 newly built homes to prospective buyers. The event, produced by HBAL, is in its third year and organizers say that the turnout was the best yet.

Fewer New Homes Being Built

Currently, buyers still have the advantage of too much supply and not enough demand for new homes in Greater Louisville, but reports from local realtors and research from area housing experts suggest that the market won't stay that way for new construction. According to Russ Lohan, co-owner of Market Graphics, a local company that collects information on 760 subdivisions in eight counties in Greater Louisville, closings on new homes in the area are forecasted to be on the rise. Market Graphics conducts a physical count of newly built and newly started homes three times a year. According to Lohan's most recent data, the number of homes started the first quarter of 2008 was 50 percent less than were started the same time last year. To put that into perspective, Lohan explained that in 2005 (when the market was at its peak), there were close to 7,300 permits for the eight-county area. This year, he forecasts below 3,000 permits by the end of the year.

Louisville Homes Holding Their Value

While home values have fallen in many parts of the country, Louisville's homes have bucked the national trend. According to a 2007 real estate market report released in April by Jefferson County Property Valuation Administrator Tony Lindauer's office, prices for new and existing homes in Louisville climbed more than 4 percent. That number may surprise many consumers who continually hear negative reports about the national housing market. Experts say that Louisville, however, has always been a stable market, without the peaks and drops that other areas experience. "Basically, our market here has acted like a dependable mutual fund. Housing in Louisville has always been a sound investment and there's every indication that it will continue to be," HBAL Vice President of Communications Brian Miller said.

More Buyers Making Competitive Offers

Currently, realtors report that traffic in model homes and open houses has increased, with an increasing number of buyers competing for homes. That's a change from previous months. According to local realtor Teresa Morgan, ERA Kepple Keene, homes that are in good shape and are priced right from the start are selling quicker than homes priced for a lot of negotiation. "I listed a house in Hikes Point for \$150,000. It was in immaculate condition and it was also priced where it needed to be. Within 24 hours we had a contract on it," she explained. "And, just recently we had a property listed for \$899,000, and we had two offers come in at the same time. This isn't something we saw a few months ago," Morgan explained.

Closings on New Homes Forecasted to Be on the Rise

According to Lohan, the number of closings from April 2006 to April 2007 was 4,306. As the market slowed last year, there were only 3,950 closings between April 2007 and 2008. "However, going forward, we're forecasting that closings will go back up to 4,335 by April 2009," Lohan said. He cited current efforts by builders to attract buyers, fewer homes being built, potential tax credits for first-time homebuyers and low interest rates as contributing factors in making that conclusion.

Although the Louisville area hasn't experienced the type of slowdown as in other parts of the country, many people have experienced it as a "buyers' market" in 2008. Many prospective homeowners realize this and have been holding off on buying and waiting for home values to fall. HBAL housing experts say that you can't know when the market will bottom out, but a drop in values of new homes isn't expected to occur in Louisville.

"If buyers are waiting to see just how low the prices will go, they may find themselves wishing they had acted sooner rather than later," said Pusateri. "No one can accurately predict the peaks and valleys of the stock market, and the same holds true for housing," he added.

According to HBAL, if the inventory is reduced at it is expected to, the demand for new homes will be greater than the supply and home prices will increase in as little as just a few months. "This is a stable market compared to other parts of the country. It's most likely that an investment in a new home will only grow," Pusateri said. "Right now, we've got builders offering incentives to buyers and there's plenty of product to choose from. But, that's not going

to last. The market will turn around and people who buy now will have a home they can call their own and be able to reap the long-term gains of home price appreciation," he added.

With closings of new homes expected to be on the rise and continued efforts by local builders to sell off the inventory of new homes, Greater Louisville offers a healthier housing market than in many parts of the country. For more information on the advantages of purchasing a newly built home in the current local market, visit www.hbal.com.

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Note to Media: HBAL members include many realtors and builders who can offer current examples of what buyers and sellers are experiencing. Contact Brian Miller at HBAL at 429-6000 for names of some professionals who specialize in building and selling new homes in Greater Louisville.