

The Alabama Housing Affordability Index 2nd Quarter, 2008

Alabama Housing Affordability Index Holds Its Own

The Alabama Housing Affordability Index for the second quarter of 2008 showed a small decline from the first quarter results. But, considering the fact that the first quarter Affordability Index for Alabama Housing was at the highest level since the first quarter of 2005, these results are a bit of refreshing news that, among a welter of consumer concerns, Alabama's housing continues to remain affordable for Alabama's home buyers says the Alabama Center for Real Estate at the University of Alabama.

The Alabama Housing Affordability Index decreased slightly in the second quarter of 2008 to 167.4 from a first quarter 2008 high of 169.4. This small reduction of only 2.00 points in the Affordability Index (or only a 1.20 percent decrease) from the first quarter of 2008 showed that the affordability of homes in Alabama was basically holding steady. There were variations at the local levels, but the state totals are close to the previous quarter. On the national level, the difference of the national first quarter of 2008 National Housing Affordability Index (HAI) of 135.8 and the second quarter, 2008 national HAI results of 127.7 showed a 5.95 percent decrease for the nation in home affordability.

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 167.4 for the second quarter of 2008 means that an Alabama family who earned the statewide median income of \$51,700 had approximately one and two thirds (or 1.67 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 127.7 which was a decrease of 5.95 percent from the 135.8 HAI from the first quarter of 2008. Across the U.S., this reflects that households earning the U.S. median income of \$61,500 could better afford a \$206,467 house which was the median price of a home across the nation.



The relative stability of the Alabama Housing Affordability Index in the second quarter of 2008 was aided by the fact that the Median price of an Alabama home remained almost exactly as the previous quarter with a very slight increase of \$140 dollars from \$132,280 to \$132,420. During the same period, the first quarter 2008 composite monthly interest rate of 6.02 percent also increased to 6.11 percent. Both changes were comparatively minor but did work together to drop the Alabama Affordability Index slightly for the second quarter, 2008.

It should be noted that the numbers used to compute the AHAI reflect mostly urban areas, which have significantly higher income levels than rural areas in the state.

As the Second Quarter of 2008 results of the Alabama Housing affordability Index are reviewed by reporting location, Mobile, of the areas reported in the Metro Area grouping, showed the greatest percent of increase over the first quarter 2008 AHAI with an increase of 8.47 percent. The next highest change was posted by Lee County (Auburn, Opelika) with a 7.06 percent increase. For the rest of the Metro Area, the results for each area for the second quarter 2008 over the previous quarter are as follows: Tuscaloosa, 1.69 percent increase; Dothan, 2.40 percent decrease; Calhoun County (Anniston), 2.52 percent decrease; Baldwin County, 3.18 percent decrease; Huntsville, 5.36 percent decrease; Gadsden, 6.33 percent decrease; Birmingham, 6.70 percent decrease; Muscle Shoals (Florence), 6.99 percent decrease, Montgomery, 8.15 percent decrease.

For the Country Areas, the AHAI results from the second quarter in 2008 show that Talladega County showed a 52.32 percent increase followed by Monroe County's increase of 26.07 percent. The remaining County Areas all show decreases as follows: Marshall County, 9.48 percent decrease, Lake Martin (Tallapoosa) with a 11.32 percent decrease, Cullman County, 13.54 percent decrease and Walker County with a 16.27 percent decrease. (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 Results by Ranking:

1Q 2008 vs. 2Q 2008

Metro Areas by Rank:

Mobile	8.47%
Lee County (Auburn, Opelika)	7.06%
Tuscaloosa	-1.69%
Dothan	-2.40%
Calhoun County (Anniston)	-2.52%
Baldwin	-3.18%
Huntsville	-5.36%
Gadsden	-6.33%
Birmingham	-6.70%
Muscle Shoals (Florence)	-6.99%
Montgomery	-8.15%

County Areas by Rank:

Talladega County	52.32%
Monroe County	26.07%
Marshall County	-9.48%
Lake Martin (Tallapoosa)	-11.32%
Cullman County	-13.54%
Walker County	-16.27%

Statewide Average -1.20%

US Average -5.95%

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®.