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Atlanta home sales slow to trickle, 'bottoming out'

Sellers will face difficult market until sometime next year, says economist

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Home sales in metro Atlanta have slowed to a trickle and likely will remain sluggish until sometime next year, predicted a Mercer University economist.

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"We're bottoming out and will be bouncing along for another couple of quarters," said Roger Tutterow, professor of economics at the Stetson School of Business at Mercer.

Following two more gloomy national reports this week on home sales and prices, Tutterow was scheduled Tuesday morning to join Eugene James, Atlanta regional director for real estate analysis firm Metrostudy, and Steve Palmer, president of the Greater Atlanta Home Builders Association, at a forum on that state of the local economy. The forum was sponsored by the home builders association.

The association also planned to release a report on local housing trends. Among the findings were:

--- Monthly housing permits in metro Atlanta for single-family homes were 31,029 in December, a nearly 50% drop-off from June 2006.

-- There were 3,244 housing starts in north metro Atlanta in the fourth quarter, down 49.4 percent from a year earlier. In south Atlanta, the tally was 1,661, down 65.8 percent.

-- The number of new, unsold homes and homes under construction in the entire metro area reached 31,546 in the fourth quarter, down 17 percent from a year earlier.

-- The inventory of unsold homes reached an 11.3 months-supply in north metro Atlanta in the fourth quarter, and a 9.7-months supply in south metro Atlanta.

Though inventories are high and sales are slow, Tutterow said in an interview that home prices in Atlanta have remained relatively steady compared to many other areas of the country.

While markets like San Diego and Miami are seeing prices drop by double-digit percentages, home prices around Atlanta are largely unchanged, Tutterow said.

"Here in Atlanta, year over year, they're flat or maybe dropping a percent or two," he said.

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Standard & Poor's reported a slightly worse figure for Atlanta on Tuesday.

The firm said U.S. home prices lost 8.9 percent in the final quarter of 2007, marking a full year of declining values and the steepest drop in the 20-year history of its housing index.

Atlanta was not among the worst-hit cities in the report, but still saw a decline in home prices, posting a 3.4 percent drop compared to a year ago.

The S&P/Case-Shiller home price indices, which include a quarterly index, a 20-city index and a 10-city index, reflect year-over-year declines in 17 metropolitan areas with double-digit declines in eight of them.

The quarterly index tracks prices of existing-family homes nationwide compared with a year earlier.

The 10-city index also set a record annual decline of 9.8 percent in December, while the 20-city index dropped 9.1 percent.

Home prices also plunged 5.4 percent from the previous three-month period, by far the largest quarter-to-quarter decline in the index's history. The previous record was the revised 1.8 percent drop in the third quarter of 2007.

Still, Tutterow said, the market will still take a long time to catch up to the recent surge surveys are showing in consumer confidence.

Recovery is probably still a year away, he said.

On Monday, the National Association of Realtors said U.S. sales of existing homes fell to the lowest level in nearly a decade in January, while the median price for a home dropped for the fifth straight month.

NAR said sales of single-family homes and condominiums dropped by 0.4 percent last month to a seasonally adjusted annual rate of 4.89 million units, the slowest sales pace on records going back to 1999. The median price of a home sold in January slid to \$201,100, a drop of 4.6 percent from a year ago.

Tutterow said there is a silver lining here: the glut is partially responsible for a brighter consumer outlook.

"It means there's tons of property for them to choose from," he said.

Consumers are beginning to feel empowered because of their bargaining power and wide selection, "They know they have the upper hand in negotiations," Tutterow said.

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