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Chilly start, but thaw forecast

Low rates, buyer incentives could spur rise in sales

By THE DAILY HAMPSHIRE GAZETTE
Staff Writer

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"If we're not at the bottom now, then we're very close. I think you'll start seeing a stabilization, though you're not going to see anything dramatic right away."
--Mark Abramson, president of the Realtor Association of Pioneer Valley

After a slow winter, Hampshire County real-estate observers expect increased activity on the housing market, as the peak selling season arrives.

Home sales will rise in coming months, they predict, due to a federal tax credit, historically low interest rates and declining home prices.

And the government's incentive for first-time homebuyers may help lubricate the whole market, they note, by allowing sellers of lower-priced homes to invest their equity higher up in the market.

But by the numbers, Hampshire County real estate was not off to a good start in 2009. Sales in Hampshire County were down by 11.5 percent in March - from 52 sales in 2008 to 46 this year.

According to data from the Multiple Listing Service, the total market volume for Hampshire County in March has gone down for the past four years and has been nearly cut in half, from $23,610,447 in 2006 to $12,092,105 this year.

The number of single-family homes sold during the first quarter of 2009 in Hampshire County dropped by nearly 25 percent compared with the same three months of 2008, with median prices down nearly 8 percent.

Franklin County did a little better in the quarter. The number of sales fell 20 percent in the first quarter of this year compared with 2008, with median prices off 3 percent.

The picture was a little better for the Valley's three counties as a whole. For the quarter, sales of single-family homes in the Pioneer Valley was down 12 percent, with prices off 13 percent. The picture improved in March (compared to that month last year), with sales rising 3.9 percent.

Mark Abramson, president of the Springfield-based Realtor Association of Pioneer Valley, Inc., said the decline in Hampshire County is likely from buyers holding back because of uncertainty about the federal stimulus package - and out of concern about the economy in general.

Also, a slow housing market may have kept some sellers from listing their homes in hopes of waiting until demand increased.

"I expect to be seeing a great amount of activity in the coming months," said Abramson. "First-time homebuyers are really hitting the market."

Abramson said he expects a turnaround, especially since the real estate business tends to be busiest between April and July and the recently approved the federal stimulus plan provides incentives for first-time homebuyers looking for lower-priced housing.

A tax credit of up to $8,000 is available for qualified first-time home buyers who purchase a home before Dec. 1. The new credit does not have to be repaid, unlike the tax credit enacted in 2008.

"The tax credit is going to have its impact on the lower end of the market," said David A. Murphy of The Murphys Realtors in Northampton.

Several Realtors agreed that increased sales of lower-end homes to first-time buyers can help the entire housing market by allowing current lower-level homeowners to sell and then upgrade to mid-

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level homes - and then mid-level homeowners can sell and move up as well.

Abramson said interest rates at all-time lows - under 5 percent, according to Freddie Mac - have been a big factor in the recent jump in activity because it increases affordability.

Linda Rotti, sales manager of Jones Group Realtors in Amherst and past president of the Realtor Association of Pioneer Valley, is optimistic the slumping housing market will rebound.

"Personally, I think the worst of this is over," she said.

Abramson agreed. "If we're not at the bottom now, then we're very close," he said. "I think you'll start seeing a stabilization, though you're not going to see anything dramatic right away."

Rotti said the 10.8 percent drop in median prices in the county from a year ago during March and a 7.9 percent decline this quarter has been due to more homes being sold in the lower price range, since there are more incentives right now for first-time and lower-level buyers.

Murphy said he, too, is optimistic, but remains reluctant to forecast how the market will respond.

"It's a good sign that we're busy, but, right now, it's hard to say what the numbers will look like come the end of June," he said. "We need data. We need closed sales. I think it's premature to predict without those numbers of sales."

Inventory down

Inventory has also declined by 12.3 percent, or by around 350 homes from a year ago in the Pioneer Valley, though the number of homes on the market remains above average, said Abramson.

Abramson and Rotti each said the real estate market has historically been a major factor in bringing economies out of a recession because it affects other areas of the economy including bankers, lawyers, builders, construction workers, contractors and home improvement, in addition to Realtors and homeowners.

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