



PRESS RELEASE

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For Immediate Release

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HOUSING AFFORDABILITY REACHES ALL TIME HIGH

The ongoing challenges in the overall real estate market have resulted in one positive--- improved affordability for Maryland families. According to the Maryland Association of REALTORS® (MAR), the Maryland First Time Homebuyers Index (HAI) has reached 74.6 percent, the highest level of affordability since the HAI has been calculated. The third quarter Index figure means that first time homebuyers had almost 75 percent of the income they needed to purchase the typical starter home during that period.

Despite the increase of starter home prices by more than \$18,000 since the beginning of 2010, affordability remains at a record high. However, job creation and household formation remain depressed.

“This year has heralded continued gains in affordability, a trend that began in 2009,” said MAR President Cathy Werner. “It is the result of favorable mortgage rates, from 5.58 to 5.26 percent, between the second and third quarter of 2010.” Werner noted that despite the expiration of the first time homebuyer tax credit, affordability has never been better for Maryland families.

For the five years that MAR has calculated the Index, it has never reached 100%. The Housing Affordability Index (HAI) was converted in 2007 to a quarterly calculation. Sage Policy Group, Inc., Economic Consultants for MAR, recalculated the data for the conversion. The quarterly calculation allows tracking long-term housing affordability in Maryland in a more macro way by accommodating some of the minor changes that can occur in a monthly figure.

The median household income figure used in the HAI calculation has also been revised, due to extensive updates from the U.S. Bureau of Census based on the data received from the recently completed American Community Surveys (ACS). The HAI is still based upon the percentage of income the typical first time homebuyer must have to buy a typical starter home with a 5% down payment, based on a 25 percent qualifying ratio for monthly housing principal and interest to gross monthly income and assuming a 30 year amortization at the effective mortgage rate plus a PMI premium.

Monthly fluctuations in affordability can be due to changes in interest rates, other terms of financing and home prices.

Year	Starter Home Price (1)	Mortgage Rate Plus PMI (2)	Monthly P&I Payment (3)	FT Buyer Median Household Income (4)	Annual Payment as % of Income	Annual Qualifying Income (5)	First-Time Buyer HA Index (6,7)
2008	\$242,440	6.64	\$1,478.78	\$39,909	44.4%	\$70,886	56.3
2009	\$219,555	5.64	\$1,202.23	\$39,964	36.1%	\$57,707	69.3
2009Q3	\$227,043	5.81	\$1,266.52	\$39,878	38.1%	\$60,793	65.6
2009Q4	\$211,676	5.57	\$1,150.63	\$39,705	34.8%	\$55,230	71.9
2010Q1	\$200,635	5.59	\$1,093.01	\$40,551	32.3%	\$52,465	77.3
2010Q2	\$215,160	5.58	\$1,218.92	\$40,979	34.4%	\$56,201	72.7
2010 Q3	\$219,006	5.26	\$1,150.08	\$41,192	33.5%	\$55,209	74.6

Source Notes:

(1) 85% of median home price based on statistics reported by MRIS Inc. and Coastal Association of Realtors.

(2) Effective rate on loans closed on conventional previously-occupied single-family homes (Federal Housing Finance Board MRIS survey) plus 0.50% PMI premium.

(3) Calculation assumes 95% of the price is borrowed for 30-year amortization at the mortgage rate plus PMI premium.

(4) 57% of annual Maryland median household income adjusted using forecasts of Maryland personal income; Census Bureau/Bureau of Economic Analysis.

(5) Based on 25% qualifying ratio for monthly housing P&I to gross monthly income.

(6) Ratio of median household income to annual qualifying income, expressed as a percent

(7) 2006 and 2007 values have been revised based on U.S. Census re-estimates of median household income.

*MAR publishes the Maryland First time Homebuyer Affordability Index quarterly; it is available through the Association's website, www.mdrealtor.org.

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