

Falling home prices: The silver lining

Steadily declining prices made the second quarter the most affordable for homes since 2004, with Indianapolis leading as the nation's most affordable region.

By [David Goldman](#), CNNMoney.com staff writer
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NEW YORK (CNNMoney.com) -- Home prices continue to tumble across the country, making homes more affordable in most U.S. cities, according to a new report released Tuesday.

Nationally, 55% of homes sold from April through June were affordable to families earning the U.S. median income of \$61,500, according to a quarterly report released Tuesday by the National Association of Home Builders (NAHB).

That's up from 53.8% in the first quarter of 2008, and the **most affordable home prices have been since the second quarter of 2004.**

"Homes became more affordable because median income and interest rates remained about the same throughout the country, as home prices continued to fall," said Gopal Ahluwalia, an NAHB economist.

Median home prices dropped to \$215,000 in the quarter, which are about 10% below year-ago levels of \$240,000, according to NAHB.

"This is definitely positive news, because more people can afford to buy a home," said Ahluwalia. "Still, actual sales haven't picked up, because people are waiting on the sidelines as they **fear** home prices will continue to decline."

Falling home sales have battered the homebuilding industry. The NAHB study followed a Census Bureau report also released Tuesday that showed [home building](#) fell sharply in July to a 17-year low. Monday, a monthly NAHB report showed homebuilders' [confidence](#) in the housing market remained at record low levels.

Tale of two cities: Indianapolis and New York

Indianapolis led the the nation's major metro areas in home affordability for the 12th straight quarter. The median price of homes sold during the second quarter was \$108,000, down from \$122,000 last year. And 91.6% of the households there earning the median income of \$65,100 could afford to buy a median priced home. That's up from 86.8% last year.

New York was the least affordable major housing market in the country, according to the report. It was the first time that a major metropolitan area outside of California was the least affordable

home market in the 17-year history of the report. Los Angeles was the least affordable housing market at this point last year.

"Prices went down a lot in both areas, but they fell a lot more in Los Angeles," said Ahluwalia. "Prices are declining very rapidly in California because of a large supply and low demand."

In New York, the median home price fell slightly year over year to \$481,000 from \$510,00. That led to an increase in affordability; 11.4% of households earning the median income of \$63,000 could afford to buy a median priced home, up from 6.3% in the second quarter of 2007.

Despite that change, New York still fell to the least affordable area from second-least affordable last year, according to this survey.

Courtesy of JB Goodwin