

Buyers seeking smaller homes drive down average selling price in New Orleans area

By: Christian Moises, News Editor | November 21, 2011 | 1 Comment

The average selling price of homes in the New Orleans area in October was down 11.6 percent compared with last year, from \$220,605 to \$195,023, according to statistics the Gulf South Real Estate Information Network released today. More homes were sold this year at 653 compared with 541 in 2010.

"Some of this apparent big drop (in home prices) is a shift in the nature of the buyer, and we have a buyer who's looking for a smaller house," real estate analyst Wade Ragas said.

His data shows a 10 to 11 percent drop in the average living area of houses sold in the metro New Orleans area between July and October. In Orleans, the average home sold in the first half of the year was 2,174 square feet compared with 2,036 between July and October. Jefferson saw a drop from 1,833 square feet in the first six months to 1,730 in the July-October period. St. Tammany, he said, saw almost no change in size.

"I think it's the economy, and they're also having problems with the down payment," Ragas said. "When you can't find the low down payment money, you have to drop to a lower house price to fit what your equity will support. ... The equity number is driving what they can afford to buy."



Ragas said an 11 percent drop in the average price is an "enormous" drop and doesn't deny that prices are beginning to drop, adding that he's starting to see prices decline in parts of Orleans that hadn't seen prices drop.

"They can keep dropping for quite a while. I'd like to say that's not possible, but it's possible," he said. "If the national economy stays weak and availability of loans, say, where you have to have large down payments, then you have to size the price of the house back to what people can afford to save."

That means there's a smaller group of buyers because there's fear in the market over job security, Ragas said.

"The buyer's market is going to be there, but it will be smaller that it would be otherwise because they have to be buyers with equity and who are relatively fearless."

As for an increase in the number of homes sold, Wagas said he can't really explain it.

"That's interesting. There are deals being done ... but that's a good thing," he said. "I don't know how much of that is Orleans. Because Orleans is what's been holding up in terms of price and had been the market behaving the best."

The East Bank of Orleans saw a 5.3 percent drop in the average selling price in October compared with the same month in 2010, but saw fewer homes sold over the year at 112 compared with 121 and the average days on market drop from 97 to 82.

"Maybe if you got the cash in your pocket and you not worried about getting qualified for the loan because you have the down payment, maybe the sellers say, 'OK, I'll do a deal,'" he said. "Maybe sellers more willing cut the price and get it sold."

But he did say none of those numbers are indicative of New Orleans being in distress.

"But it is true that prices are beginning to fall for the first time in five or six years," he said.

Here's how the average selling price measured up by area in October:

- East Jefferson: \$206,306, more than the \$197,519 average in September but less than the \$275,519 average a year ago;
- West Jefferson: \$122,963, more than the \$116,619 average in September but down from the \$138,814 figure a year ago;
- Orleans East Bank: \$256,398, up from the \$254,424 average in September but down from the \$270,746 average a year ago;
- Algiers-English Turn: \$126,473, less than the \$153,062 average in September but more than the \$100,046 figure a year ago;
- Plaquemines: \$223,180 (five homes sold), more than the \$205,388 in September, when eight homes were sold but down from \$242,800 a year ago, when 10 homes were sold;
- St. Bernard: \$85,525, less than the \$116,529 average in September and the \$90,217 figure a year ago;
- St. James, St. John and St. Charles: \$157,732, down from the \$157,732 September figure and from the \$187,936 number a year earlier;
- East St. Tammany: \$166,964, up from \$155,220 average in September but down from \$184,440 a year ago; and
- West St. Tammany: \$246,595, down from the \$258,073 average in September but up from \$235,088 a year ago.

Homes also moved slightly faster than during the same month a year ago, as properties sat on the market for an average of 95 days last month compared with 98 days in October 2010.

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