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US housing perks up, but tight credit persists

CHICAGO -- Like an increasing number of well-heeled Americans, the Hodgsons decided it was time to buy a new home, even if most of the US housing market remains in the dumps.

After years in an apartment building, “we were just tired of sharing space with other people,” says Cari Hodgson, 32. “It was time to have space of our own.”

She and her commodities trader husband sold the condo and recently bought a $1.2-million, five-bedroom home in Chicago’s north side, sealing the deal with the kind of big downpayment that is heating up the high-end of the US property market. Four years after US housing prices began to nosedive, eventually triggering a global financial crisis, signs of life are appearing at the top and the bottom ends of the market.

By contrast, a sustained recovery remains far off for the vast middle ground of the US housing sector.

“People who have decent income are saying, maybe I can trade up, buy a better property,” said Bill Hardin, director of the real estate program at Florida International University.

Sales of homes worth over $1 million, which account for about 1.5% of total US sales, have risen in most states so far in 2011.

Realtors, brokers and others in the housing industry report the first bidding wars for expensive homes since the crash.

“There is a surge of confidence among high-end buyers and we’re unfortunately short on inventory,” said Pamela Liebman, chief executive of New York property firm The Corcoran Group. Her firm saw a doubling in the sale of luxury co-ops, worth more than $10 million, in the first three months of 2011.

At the bottom end, homes are also on the move as investors pay cash for foreclosed properties to rent them out.

It’s a different story in the middle of the market. Properties worth between $100,000 and $500,000 make up more than 60% of US housing.

Sales in that category in March were down across every region of America from the same month a year earlier, when tax breaks were propping up demand.

Foreclosures and short sales are still a big drag.

Credit remains tight and middle-income families are more pessimistic than their wealthier compatriots about the economy.

Access to credit is cited as a broad problem.

While the rich can simply put more money down, for most would-be buyers the need for more "skin in the game" is a deal-breaker. -- *Reuters*

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