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Homes: Most affordable in 2 decades

In Indianapolis, good paying jobs and low-priced homes make it the most affordable place to buy a home. New York has the least affordable metro area.

By Les Christie, CNNMoney.com staff writer
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NEW YORK (CNNMoney.com) -- U.S. home prices are their most affordable in 18 years, according to a report released Monday.

Nearly 73% of all homes sold in the United States during the first three months of 2009 were considered affordable. That was the highest percentage ever reported by the 18-year-old Housing Opportunity Index, an analysis of markets compiled quarterly by the National Association of Homebuilders and Wells Fargo Bank.

To be deemed affordable, a family making the median national income of \$64,000 must be able to buy the property and devote no more than 28% of their income toward housing costs.

Plummeting home prices were primarily responsible for sending affordability soaring from just over 60% in last three months of 2008 to 72.5% in the first quarter of 2009. Sinking interest rates also contributed to affordability. A 30-year fixed mortgage averaged less than 5% during much of the quarter, according to mortgage giant Freddie Mac.

"Underlying the increase in affordability are lower home prices and record low interest rates," NAHB Chairman Joe Robson said in a prepared statement. "Combined with the \$8,000 federal tax credit for first-time homebuyers, consumers are beginning to return to the marketplace."

Most affordable city

For the 15th consecutive quarter, Indianapolis led the nation's large cities (population 500,000 and up) in home affordability. The Indiana capital tops the list due to very reasonable home prices and relatively high median income: Nearly 95% of all homes sold were affordable to those earning the metro area's median income of \$68,100.

On the other end of the spectrum, only 21% of the homes sold in the New York/White Plains metro area were affordable to those earning the median income of \$64,800. Even there, affordability jumped seven percentage points compared with the last three months of 2008.

Rust-belt cities dominated the most affordable list, with Youngstown Ohio; Akron, Ohio; Grand Rapids, Mich.; and Syracuse, N.Y., all near the top. Joining New York at the bottom were: San Francisco; Los Angeles; Nassau-Suffolk, N.Y.; and Honolulu.

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10 Most Affordable

Big metro areas where residents are most able to afford to buy a home.

Metro area	Affordability Index	Median home price
Indianapolis	94.8	\$98,000
Youngstown, Ohio	94.4	\$67,000
Akron, Ohio	93	\$78,000
Grand Rapids, Mich.	91.8	\$97,000
Syracuse, N.Y.	91.3	\$85,000
Warren, Mich.	91.2	\$119,000
Cleveland	91	\$86,000
Buffalo, N.Y.	90.4	\$90,000
Toledo, Ohio	90.2	\$78,000
Dayton, Ohio	90	\$85,000

Source:NAHB/Wells Fargo

10 Least Affordable

Big metro areas where residents are least able to afford to buy a home.

Metro area	Affordability index	Median home price
New York	21.5	\$418,000
San Francisco	32.1	\$525,000
Los Angeles	42.1	\$288,000
Nassau-Suffolk, N.Y.	43	\$375,000

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Markets	Last	Change
Dow Jones	8,417.10	13.30 / 0.16%
Nasdaq	1,753.82	2.03 / 0.12%
S&P 500	909.69	2.86 / 0.32%
10-year Bond	96 26/32	Yield: 3.50%
U.S. Dollar	1 euro = \$1.413	0.019

May 29, 2009 2:05 PM ET

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Several smaller cities were even more affordable than Indianapolis. In Sandusky, Ohio, about 98% of homes sold were affordable to those earning the local median income. Monroe, Mich., and the Ohio towns of [Mansfield](#), [Springfield](#) and [Canton](#) all exceeded 95% affordability.

Less affordable small markets were led by Ocean City, N.J.; [San Luis Obispo](#), Calif.; [Flagstaff](#), Ariz.; and Hanford, Calif.

Markets still slow

Despite the record affordability, both existing and new home sales are still slow. New homes have been selling at an annualized rate of 350,000 for the past few months. Existing sales have been consistently running at an annualized pace of less than 5 million units - about two-thirds the boom-years rate.

And increased affordability is not enough to drive sales quickly upward, according to Ken Goldstein, an economist and real estate analyst for the Conference Board.

"What really hurts is that people are losing their jobs now," he said. "The unemployment rate is at 9% going to 10%. That means that 90% of people still have their jobs but everyone is looking over their shoulders wondering if they're next."

As a result, there's still a double-digit inventory of homes on the market. Plus, a large proportion of recent sales have been foreclosures, homes repossessed from defaulting borrowers and put back on the market, often at fire sale prices.

Still, homebuilders are taking some heart in the improved affordability stats and other data indicating that perhaps the worst is over. Pending home sales were up slightly last month, and new home sales have risen off their bottoms.

Those trends have buoyed [industry confidence](#) slightly. The NAHB/Wells Fargo Housing Market Index, an indicator of builder sentiment that was also released Monday, inched up two points in May to 16 after jumping five points in April. ■

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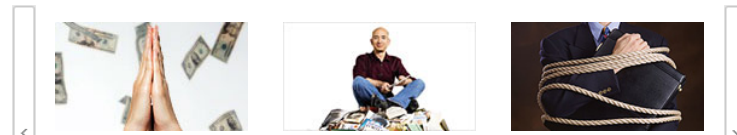
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Honolulu	44.1	\$360,000
Santa Ana, Calif.	48.2	\$360,000
Newark, N.J.	49.3	\$315,000
Miami	49.6	\$185,000
McAllen, Texas	50.3	\$106,000
El Paso Texas	52.9	\$127,000

Source:NAHB/Wells Fargo



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Type	Overnight avgs
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