CNN Reports Bendâ€™s Big Boom Overblown

by K_Guice

Last week, the Bend Weekly reported that area market prices jumped to No. 6 in year-to-year housing for the first quarter of 2006, coming in at 34.7 percent. Bendâ€™s 7 percent increase actually topped the nationâ€™s hottest market, St. George, Utah in year-to-year figures.

However, CNNMoney.com reports it is not a matter of a boom, but housing prices in many markets, including Bend, being overpriced.

Les Christie, CNNMoney.com writes â€œThe most overvalued housing markets in the United States recorded much higher price increases during the first quarter of 2006 than the least overvalued markets, according to the latest analysis by National City Corp, a financial holding company, and Global Insight, a financial information provider.â€•

The report goes on to say, In the 50 most overvalued markets, prices increased 2.5 percent from the fourth quarter to the first, an annualized rate of 10.1 percent.

According to CNNMoney.com, the report surveyed 317 of the largest real estate markets in the United States. The report then determined what home prices should be, factoring in differences in population density, income levels, interest rates and historically observed premiums or discounts.

Bend was one of several markets with valuation premiums above 34 percent, which were deemed to be severely overpriced and at risk for price corrections.

With a median price pegged at $276,100, Bend homes were overvalued by 76.4 percent in the first quarter, up from 65.2 percent ($256,200 median price) at the end of 2005, according to National City Corp.

Nancy Melrose, owner of Melrose Realty and president of the Central Oregon Association of Realtors disagrees with the report. â€œI do not think the market is overpriced. It is a simple study in supply and demand,â€• she said. â€œWe have very little available land for development and high demand for it. The increasing prices are reflective of this.â€•

While Melrose concurs that prices have risen and believes they will continue to do so, she questions the narrowness of the data. â€œThe studies apparently overlook many factors important to the Bend market,â€• she said.

â€œMost significantly, to use income levels in Bend is distorted considering many people who are attracted to living here are still working, but elsewhere,â€• For example, Melrose points out there are many telecommuters and people who are retired.

Joining Bend as some of the top overrated markets: Naples, Florida, Salinas, California; Port St Lucie, Florida and Merced, California.

Overall, 39 percent of the 317 markets surveyed were judged to be severely overvalued. CNNMoney.com reports, that is up from 36 percent in the last quarter of 2005.

So, is the market set for a correction? According to Richard DeKaser, National City's chief economist, in CNNMoney.comâ€™s report he did find some evidence that prices may be ripe for a correction. A year ago, prices in overvalued markets were going up even quicker than they are today, indicating they are pointing to a change of direction.

Melrose does foresee some change on the horizon for Bend. â€œI think the huge double digit appreciation rates year after year after yearâ€¦ are obviously not sustainable and there should always be corrections reflective of the current and local market,â€• she said. â€œI hope for some price corrections this year so that we will have more inventory for buyers to choose from.â€•

She says whether the reportâ€™s data is incomplete or not there are people already living in Bend, Oregon who would love to see the negative attention increase in hopes the steady stream of new comers will subside.

Ultimately, Melrose says, â€œIf they say it enough, maybe it will become trueâ€¦now that we are officially overpriced by the national media, maybe that will discourage the tremendous growth in the region, and voila, the market correction.â€•

That is not likely to happen soon with the city receiving positive national attention in publications like Inc. Magazine. Bend was 14th on its â€œHottest Small Citiesâ€• list (cities with less than 150,000 in population). It was 17th overall on its list of â€œBoomtowns â€˜06â€• in the magazines May 2006 issue.

Melrose isnâ€™t surprised by the great press. â€œLook around here!â€• she said. â€œWhere can you find the quality of life, people, recreation, weather, views, mountains, rivers, golf, horses, wide-open spaces and the beauty of the high desert?â€•

Bend Weekly Newslink: www.melrose-realty.com

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