

Bend Avoids Real Estate's Bursting Bubble

by K_Guice

Sales of existing homes nationwide experienced a minor decline in May with home prices rising to near normal rates, according to the National Association of Realtors (NAR).

Total existing-home sales "including single-family, townhomes, condominiums and co-ops" eased 1.2 percent to a seasonally adjusted annual rate of 6.67 million units in May from a pace of 6.75 million in April, and were 6.6 percent below the 7.14 million-unit level in May 2005.

"There's now a clear pattern of slower home-sales activity in many higher cost markets, which are more sensitive to rises in interest rates, and higher home sales in moderately priced areas which have experienced job growth," said David Lereah, NAR's chief economist. "Although mortgage interest rates remain historically low, the uptrend in interest rates this year is affecting those buyers who are at the margins of affordability." Photo by Bend Weekly

In Bend, realtors say while there has been a moderate slowdown the market is still thriving. According to realtor David Foster's market and trends reports at DavidFoster.biz, "As of the end of May 2006 the market indicators are mixed, but clearly the real estate bubble has not burst in Bend."

Karen Milne, a realtor in Bend who has lived in the area for 25 years, agrees. "The market is still very good," she said. "We are still hanging in there, still going up. We just have a lot more inventory and a lot of new home construction," Milne added.

Across the nation, total housing inventory levels rose 5.5 percent at the end of May to 3.6 million existing homes available for sale, which represents a 6.5-month supply at the current sales pace.

NAR President Thomas M. Stevens said it's important to keep the current market in perspective. "We didn't break the 6-million sales barrier until 2003, so the current level of home sales is still pretty healthy by historic standards," he said.

"Housing is continuing to support the overall economy by providing a sound foundation for other sectors to grow," the normalization that is taking place in the housing market is good for the long-term health of the industry," Stevens added.

While total sales have dropped 12 percent in units sold, the average sales price has actually increase 17

percent year to date (YTD).

“With 115 percent more homes on less than an acre available than at the first of the year, buyers certainly have more homes to pick from. However after dipping slightly last month, the median list price of homes increased from \$452,775 to \$458,000 while the average continued to drop from \$610,943 to \$588,733,” Foster wrote on his site.

“With the average and median list prices up almost \$64,000 and \$44,000 since the first of the year, sellers are clearly hoping that buyers will pay more this year than in 2005,” according to Foster.

The national median existing-home price for all housing types was \$230,000 in May, up 6 percent from May 2005 when the median was \$217,000.

The median is a typical market price where half of the homes sold for more and half sold for less. "Overall price appreciation has returned to normal levels as the supply of homes on the market has risen to a balanced range," Lereah said. "At this point the market indicators and forces are sending a mixed signal. While sale prices continue to increase, the number of properties sold has decreased," Foster writes.

"While inventory has increased, this is the time of year for seasonal peaks as we enter the summer selling season. Sellers remember the seller's market of 2005 and are always more optimistic about getting their best price, than they are by the end of the summer," he adds.

Meanwhile, Foster report shows that buyers have less purchasing power with higher interest rates and have listened to all the national and local news of a softening or bubble bursting market, and have become more tentative and cautious.

According to Freddie Mac, the national average commitment rate for a 30-year, conventional, fixed-rate mortgage was 6.6 percent in May, up from 6.51 percent in April; the rate was 5.72 percent in May 2005.

Milne says interest rates are still great. "As far as the interest rates, they really haven't gone up much since the beginning of the year," she said. What has been effected for some buyers are second home mortgages, not primary home financing.

So, is Bend's bubble heading towards a future burst? "It does appear and feel to me that the market is softening as expected and there will be no "bubble burst", but this will be more clear by mid-summer," according to DavidFoster.biz.

For anyone wanted to sell this year, they will need to be more careful and competitive in choosing a list price.

As buyers have more homes to choose from, become more discriminating and reluctant or simply unable to afford the higher prices; people may not have to pay full price. In fact, they may find better prices by the end of the summer. Either way, buyers can still be assured of long-term investment value, according to Foster's report.

"It's good for buyers," Milne said. "And it's good for people to have a little more to choose from."

So, does that mean the seller's market is over? According to market statistics for Bend, Foster writes that the numbers seem to indicate it has for some price ranges but says only the numbers with time will tell.

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