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September, 2010 #24

Headlines say Market Down 27%, So What?

Many of you may have read the latest data from several reliable real estate reporting agencies that sales of existing homes were down 27% for July over the previous month. The stories about this statistic go on to describe a possible double dip in the housing market and perhaps another drop in prices. That this was the biggest month over month drop ever, etc.

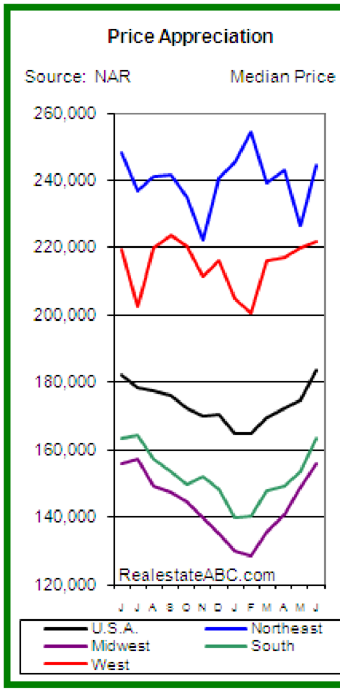
Upon further review, as they say in the NFL, the call on the field is overturned. You are probably thinking right now, "What is this guy talking about?" The 27% is real alright, but there is much more to this story than a single month slowdown in the volume of home sales. First, the drop came immediately after the final month of the federal government's tax break. Many homebuyers bought quickly to take advantage of the generous tax credit offer for those who closed before June 30th. This is why we had strong sales numbers in April, May and June. Most analysts were expecting a precipitous drop after the program expired. It is important to note that the sales prices have held steady during this drop in volume. Many houses that were short sales are now off the market.

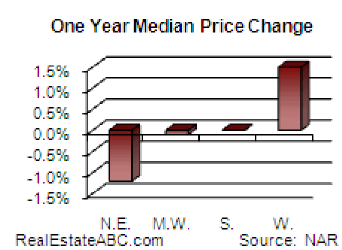
Inventories at the moment are remaining flat so the supply vs. demand curve is not really much different than it was a few months ago. Interest rates continue to remain at historic lows and prices are flat for the most part and I am seeing increases in pricing at the bottom of the price range.

Another factor in this 27% figure is the impact of new homes. The statistic cites existing homes which specifically excludes new construction. New construction was completely dormant over the past year and this spring the availability of cheap ready to build lots has brought builders slowly back to the table. Many markets across America saw sharp increases in new home sales.

The mainstream media loves a good misery story so they will continue to spread the doom and gloom. The cold hard reality is that rates and prices are combining to create one of the most affordable housing market in U.S. history. The national median price according to the NAR bottomed out in February of this year and now stands at roughly $184,000. A typical couple with $400 per month in other debts (credit cards, car payment, etc) and average credit scores in the 660-680 range need less than $3000 per month in combined income to buy this house. The Washington State Minimum Wage is $8.55 per hour which equates to $1482 per month full time. So two earners at this wage can probably own a house! Talk to a mortgage professional for specific details. For people on the upper side of the income curve the prices are fantastic right now. In my market here in Southwest Washington State, fabulous 3500 square foot custom homes on small acreage are easily available in the $350-$450k range. Homes that were nearly twice that amount in 2007.

We expected the slowdown after the tax credit and now it's time to move on and take advantage of the slow economy and buy the house you couldn't afford three years ago and probably won't be able to afford three years from now.





Statistics tell many tales, gloomy or bright is determined by your perspective.

I can't help but love it when two minimum wage earners can buy a nice three bedroom house in a good neighborhood.

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The book covers real estate and securities investments in this troubled and turbulent economy. The book is targeted at middle America.

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