

Anne Scott's Real Estate Today



As the schools go so does the town, and the new fields and school additions are causing more and more families to seek our town out. With the lowest interest rates in thirty years, we are seeing more local moves this year as well. Prime rates are 4.75 whereas a year ago they were 6.50. Consequently, the desire to refinance or purchase is strong.

Last year at this time we had 297 sales and this year we have 305, which is normal in a strong market. However, last year at this time, we had 164 houses on the market; whereas this year we only have 109. The lack of inventory is driving some house prices up but once again, homes that are not updated are staying on the market longer. Today's buyer knows that the cost of renovating is high and terribly inconvenient. Good contractors in any field are very very busy.

The question that often comes up is "*are we in a real estate bubble?*" While the economy was in a recession during the past year, the housing market soared. Both existing and new home sales reached record levels in 2001, and prices generally rose. Real estate is a commodity and like all commodities there is risk: be assured that prices can both rise and fall. That said, there are several factors, which suggest that real estate values are unlikely to implode. The population is increasing and the demand for housing then swells. Unlike the stock market, sales in the real estate market incur substantial transaction costs and, when most homes are sold, the seller must physically move out. Doing so often entails significant financial and emotional costs and is an obvious impediment to stimulating a bubble through speculative trading in homes. Thus while stock market turnover is more than 100% annually, the turnover of home ownership is less than 10% annually – scarcely tinder for speculative conflagration. By its nature, real estate is something to be held over a period of years – so while there may be short-sellers on Wall St. there is no equivalent in real estate, something to consider when someone mentions the possibility of *a national real estate bubble*.

Housing prices in 14 major markets throughout the country are out of whack in relation to household incomes and payments according to an industry consultant. They are: Boston, San Diego, Ft. Lauderdale, San Francisco, Miami, Denver, San Jose, Orange County Calif., Charleston S.C., New York, Tampa, Oakland Calif., Portland Ore., Minneapolis, Phoenix, Sacramento and Los Angeles. According to an economic yardstick, house prices in these areas have increased to a level that cannot be sustained.

If you know anyone who is thinking of buying or selling, I would love to hear from you! *I value your referrals!* They are the lifelines of my business.

Anne

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