

The Hopeful View Ahead in Local Real Estate

By Richard Stanley

As 2007 begins, are the stars aligning well? One would think so, judging from the near-euphoria in the press recently about not just a “soft landing”, but a “perfect landing” for real estate and the economy. Jobs are reported up to near “full employment”, and, as I write this, home sales are up, too, from the levels of the last several months. Here’s my take on the real estate market in the short term.

In short, expect 2007 to be busy. There will be attractive opportunities for both buyers and sellers—especially in the early part of the year, when market activity is usually brisk. Here’s why:

- The end of 2006 dealt local real estate activity a triple whammy—a combination of a cyclical slowdown after months of almost frenzied demand satisfaction--buying; a seasonal slowdown as we approached the holiday season and a situational slowdown due to a significant national election when buyers typically demur making major financial commitments. All these factors are now behind us. Hooray.
- Buyers are attending open houses in significant numbers. Sales volume is down compared to a year ago, but not buyer interest. At some point, and I believe that point will be soon, buyers’ “pent-up demand” will need to be satisfied, and both volume and median prices will rise.
- Local median sale prices are not falling. It’s true that many over-priced homes have cut their asking prices, been rented or have been taken off the market, but local median prices continued to rise about 6% over the past year. Buyers will not wait forever for prices to fall and risk rising interest rates that could negate whatever monthly savings they might achieve with a lower purchase price. Fears of inflation continue to haunt the Federal Reserve Bank. Astute buyers are aware of speculation that the Fed may raise interest rates by the summer.
- Inventory is high and likely to produce some quality opportunities that buyers will recognize—and purchase. Promising fixers continue to be sought by speculators. Some properties are still selling in multiple offers—if priced right. Special and trophy properties will continue to ignite buyers’ “herd mentality”—the proverbial multiple offer “bidding war”—when they come on the market. The result: continued upward price pressure, albeit in the single-digit range this year.
- Buyer / seller stalemates will be broken as sellers bring their over-priced properties down to earth—and attract value-centric buyers. Conversely, buyers who have been shopping for bargains will realize that the price of entry into the real estate market is not likely to fall through the floor. Generally, the time to go bargain hunting in any calendar year is in November and December. It’s a long time until the next holiday season. Get ready for some bumps, thrills and surprises between now and then!
- One side note: expect sellers to pay more in sales commissions, as market times stretch longer and agents’ marketing costs rise. There will be fewer agents working in 2007, as the less-productive agents leave the business.

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