

# Five Signposts to Spot a Housing Market Turnaround



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An update to key indicators of the condition of our housing markets with some insights as to what drives them. There are bright spots in the midst of these rather dismal looking statistics.

## Reality Check

Uncertainty is a reasonable response to current statistics. Understanding what is driving these numbers AND what is underway to change the tide will help relieve some of the uncertainty.

As you review the key indicators of our housing market, keep in mind the new administrations' plans for assistance on the foreclosure front, availability of funds, the interest rates at which those funds will be available, and impending programs designed to create spending and jobs. Though Federal Intervention is not being implemented perfectly or fast enough, current economic detrimental factors are being addressed.(i.e. TARP Plan)

## Has the Real Estate Market Hit Bottom?

Areas with high levels of speculative buying and rising unemployment continue to be challenging and will likely see further declines in housing values and prices. (i.e. Nevada)

**Here are some signposts to look for that will give you a better idea of how and when our local real estate market is healing.**

## Sign Post #1 Real Estate is a Local Game

Differentiate the Portland market from markets like Las Vegas. Oregon's foreclosure rate lags the national average and ranks us at 12th in the nation, up 4.3% month to month as of November 2008. To put this in perspective, foreclosure activity affected 1 in 535 Oregon households versus the national average of 1 in 488. (source realtytrac)

Note: Nearly one third of the homes in Oregon are owned free and clear and the hardest hit areas are Central Oregon where resort properties make-up a significant portion of the real estate market.

## Sign Post #2 The Local Job Market

In any part of the country, a weak job market will cause home sales to slow and prices to decline regardless of the state of the national housing market or economy. Over the last decade, the peak of our national job growth occurred in early 2004 and reached 18%. The bottom, in early 2003 at nearly -15%. As numbers come out for the end of 2008, Oregon's job outlook has weakened with unemployment levels rising to 8.1% topping the national average of 7.2%. The exit of manufacturing and the challenges within the timber industry are major contributors. (Source: to U.S. Bureau of Labor stats).

## Sign Post #3 Housing Supply Shrinking

This is one to watch CLOSELY. A 5-6 months supply of inventory is normal in most markets. At this level, most homes sell within 90 days. Above this level, we have a buyers market. Below this level, we have a shortage, or sellers market.

In early 2008, Oregon's housing inventory reached nearly a 12 month supply. As of November, total active listings are down 23% since July 2008. The number of homes on the market dropping indicates we could be moving through our supply! (Source: Freddie Mac & RMLS)

Nationally, new home inventory has been slowly declining since May 2008. As of November 2008 we have an 11.5 months supply down from 11.8 in October.

## Sign Post #4 Home Prices Falling at a Slower Rate

Here again look at your local market, not headline news. According to S&P's Case-Shiller Index, National home prices are down 13.2% while Oregon home prices are off only 10% for the same year to year period. As a buyer, look at statistics for the zip code in which you are looking to buy (your real estate professional would be a great resource for this).

In a market where prices are declining, you want to see at least 3 months of smaller price drops to be confident that the market is really shifting toward a stable or increasing trend.

## Sign Post #5 Affordability

Affordability is a combination of home prices, interest rates, and the availability of loans that allow consumers to buy homes at a level that the mortgage payments are affordable.

In Oregon we have seen an overall drop in home prices ranging from 0 to 10%. (From October 2007 to October 2008). Coupled with very low interest rates, and FHA, Fannie Mae and Freddie Mac loan programs, homes are more affordable today than a year ago.

Jumbo loans (loan amounts over \$417K) are still at a premium compared to Fannie/Freddie rates but are approaching conforming rates from select lenders. These interest rate premiums can be easily offset by price concessions on higher end properties and/or special financing packages where a seller can buy down the interest rate for the buyer for the life of the loan. (see your Mortgage Planner for further details).

The affordability of homes is what is helping our inventory levels continue to decrease in Oregon and Nationally. There is no short-term quick fix. It is a GIVE AND GAIN Market.

Locally we see motivated sellers and historically low mortgage rates. These factors offer buyers opportunity to upgrade (GAIN) even though existing home values may have declined slightly from 12 months ago.(GIVE)

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