

THE MOVE-UP EFFECT

Sales in affordable price ranges signal overall housing recovery

Declaring that the housing market has finally hit bottom is risky business; however it's hard to ignore the indicators that point toward a recovering market:

- The latest Case-Shiller Index shows that real estate values increased in the second quarter of 2009, the first time we've seen a quarter-over-quarter increase in three years.
- The National Association of REALTORS® reported in August that, for the first time in five years, existing homes sales increased four months in a row.
- According to the Housing Opportunity Index (HOI), 72 percent of families nationwide can afford a median-priced home. Last year at this time, only 55 percent of families could.
- The California Association of REALTORS® reported in August that many of the communities that were the first to feel the housing downturn have seen 30-40 percent increases in sales year over year (August 08 vs. August 09).

HOUSING INVENTORY PORTLAND METRO			
	Frenzy Market March 2006	Financial Crisis February 2009	Current Market August 2009
less than median*	1.0	7.6	4.4
more than median*	1.8	13.6	8.0

Note: *median price = \$241,000
Source: RMLS/Trendgraphix

There are several factors driving these upward trends, among them are the first-time home buyer tax credit, historically low interest rates, and increased affordability in all price ranges.

Evidence of this upsurge in sales activity is best seen in the inventory of homes in the more affordable price ranges. As you can see in the table above, months of inventory are now much closer to what they were during the peak of the frenzied housing boom in 2006.

Over the past 50 years, increasing strength in the more affordable housing market has signaled a turn toward the positive for housing throughout all price ranges. The reason for this is that those who sell their homes to first-time buyers often become move-up buyers, which leads to a chain reaction of sales up the price points. Therefore, current sales activity in the more affordable price ranges is a strong indicator that the overall real estate market is indeed on the rise.



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