

10 Ways To Know When The Market Is **Up** ... or **Down**



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The past year saw a slowdown in real estate markets across the country. But the term “slowdown” is relative and should be used with care: The vaunted housing “bubble” predicted by many never happened and some areas have seen price increases.

What did happen is what you would expect in any normal market: Local supply and demand determined marketplace trends. You can see this most clearly by looking at the data for 149 metro areas compiled by the National Association of Realtors. Seventy-one areas showed price gains, 73 had declines and five broke even in the fourth quarter.

The localized nature of real estate becomes even more dramatic when you compare individual areas.

The Atlantic City and Salt Lake City metro areas both saw annual gains above 20 percent. Alternatively, in Florida prices in the Sarasota-Bradenton-Venice (-18.0%), Palm Bay-Melbourne-Titusville (-17.0%) and Cape Coral-Ft. Myers (-11.7%) all dropped.

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Given the localized nature of real estate, it pays to ask if there are any clues which suggest that the market is moving in one direction or another. And usually, if you know where to look, such clues exist.

Here are some of the measures and issues to consider:

Population. People have to live somewhere, if the local population is growing that means there is more demand both for owner-occupied homes and for rentals. Check with your local economic development office for specifics.

New Home Starts. While more people create demand, more units create supply. Check with the local home builder’s association or the economic development office and ask about construction permits and starts.

Prices. Most communities have local brokers who produce customized pricing data for neighborhoods, HOA and communities. Such information is often available from your local Realtor.

Days On The Market. An important measure of local activity concerns the length of time it takes to sell a typical home – some will take longer, some will sell faster but there is a general average which gives some sense of market activity. Be careful to compare like periods – summer versus summer or January versus January – to get comparable results. For details, speak with your local Realtor.

Drill Down #1. When looking at general statistics you have to use care. For instance, broad market trends may include both condos and fee-simple properties. It may be that the local market is doing well generally but condo prices have stalled – or vice versa. Speak with your local Realtor for specifics.

Drill Down #2. Recorded sale prices may not reflect actual transaction values. If a home sells for \$500,000 but the owner pays a 3 percent “seller contribution,” then the real price to the owner is less than what the records show. To make sense of recorded information you need to speak with the local brokers who actually negotiate prices and terms.

Watch Those Interest Rates. Whether you’re a buyer or seller, lower rates are good for real estate while higher rates constrict demand and reduce sales. Today’s rates, roughly 6.25 percent, are at the low end of the rates seen during the past four decades – but such rates are also a full 1-percent higher than what we saw in the summer of 2003.

Check For Jobs. Most people finance the homes they buy and therefore most people need jobs. When local employment is rising that’s a good sign for real estate, when the local job count goes down look for fewer sales and moderated prices.

Read The Local Paper. Local newspapers are filled with coverage that impacts real estate. Look for new road openings, planned malls, new factories, school construction and building permits. All suggest where local growth is headed.

It’s Not A Sure Thing. Regardless of what the statistics say, real estate demand is in part a by-product of factors which cannot be quantified. Speak with friends and neighbors. Chat with your Realtor. There are lots of shrewd, insightful local people who may have interesting ideas and opinions. Hear what other people have to say, especially people with different views so you can test your ideas.