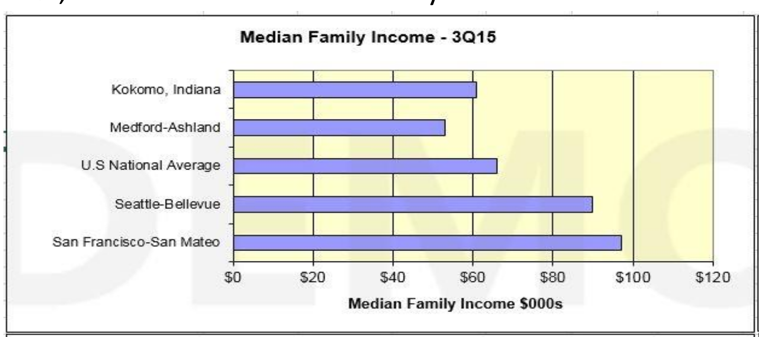
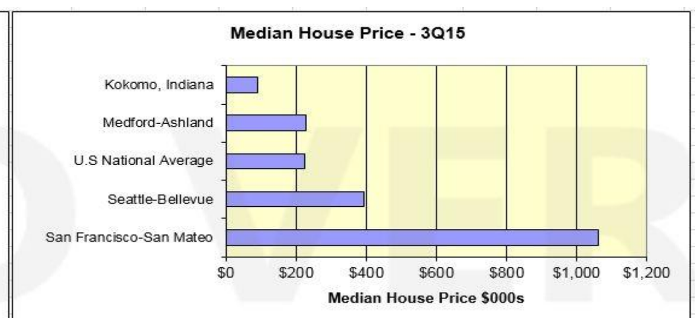
Reiling's Real Estate Market Report: Mid-Year 2016

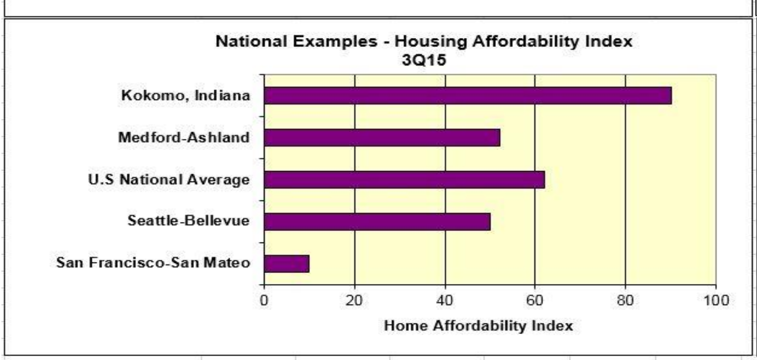
First, let me repeat a theme from my previous newsletter. The market continues to be desperately short of homes to sell. Buyers are lined up for the good ones, and multiple offers are common. It is a Seller's Market. If you know someone thinking of selling, I'd sure appreciate your referral.

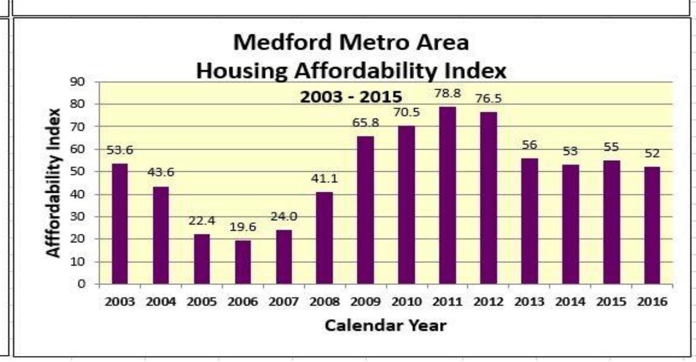
Now, on to a new topic☺ I've been getting some questions lately about housing affordability here in the valley, and whether the market is getting overheated again, like in 2005. Let's take the second question first – we have had steady appreciation over the past 4 years of about 10%/yr, and this year looks like it will be about the same. Given the shortage of inventory, you might expect it to be going a lot faster than that, as it has some times in the past. But the lenders are being careful to lend only to people who prove they can make the payments, unlike in 2005 and the infamous 'liar loans'. And appraisers are not stretching their appraisals beyond truly comparable recent sales, so there is not much chance we will get into a fast-rising bubble.

In terms of housing affordability, we have persistent low interest rates, while house prices have risen faster than income, so our affordability has taken a hit. But we are still in relatively good shape, especially compared to our friends in San Francisco. I hope you like charts, because it takes four of them to tell the story. Housing affordability is measured by what percentage of the homes on the market a family with median income could afford to buy, at the prevailing interest rate. The first two charts show median family income and median house price for the Medford area, US national, and 3 other cities to compare to. So our median family income is a little lower than the national average, and our median home price is pretty near the national average. At the extremes, those combinations of family income and house price say that a median income family in Kokomo, Indiana, can afford 90% of the houses in their market, and a median income family in San Francisco can only afford 10% of the houses in their market. As you can see, in 2006 our prices got so far out of line that our median income family could only afford 20% of the houses on the market; then prices crashed, and they could afford almost 80% of the houses on the market in 2011. Now we seem to have stabilized a little above 50%, and a median income family in our area can afford a little more than half of the homes on the market.

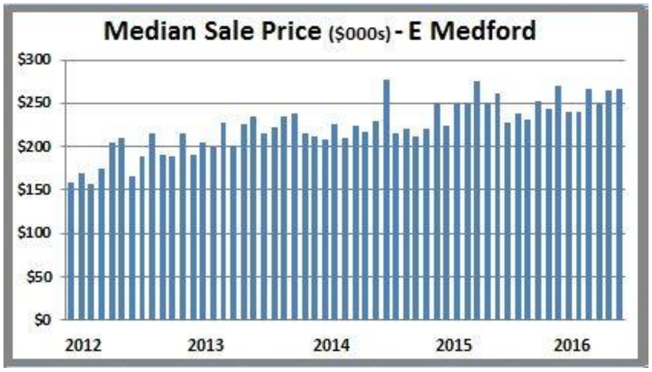


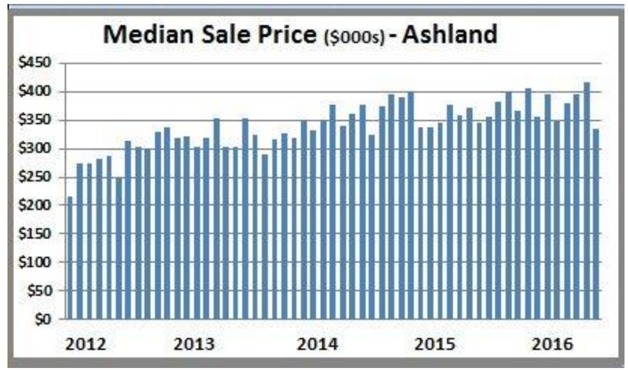






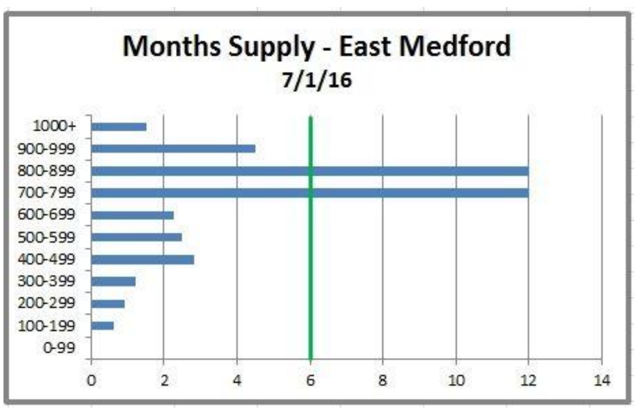
I’m often asked how home prices in Medford compare to those in Ashland. The answer in general over the past few years is that prices in Ashland are generally about 50% higher than in Medford, as you can see in these two historical price charts:





Looks like Median price in E Medford is running about $260,000, while median price in Ashland is running about $380,000 (with the choppier effect of a smaller data set) – about 46% higher.

As a final topic, I’d like to return to my opening lines. Here’s a couple of charts showing Months Supply by Price Range. Months Supply is a measure of how fast properties are selling vs how many are currently left on the market. A normal balanced market has 6 available listings for every one that sold in the previous month.



As you can see, we are just about down to “sold out” levels in the lower and middle price ranges in both Ashland and Medford (under $600,000 in both cities). Anyone who puts their home on the market these days will be warmly received, and I’d be delighted to help them ☺ If you know anyone who is thinking of selling, please give them my name and a copy of this newsletter – I’d love to talk with them.

Best Regards,

Chuck

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