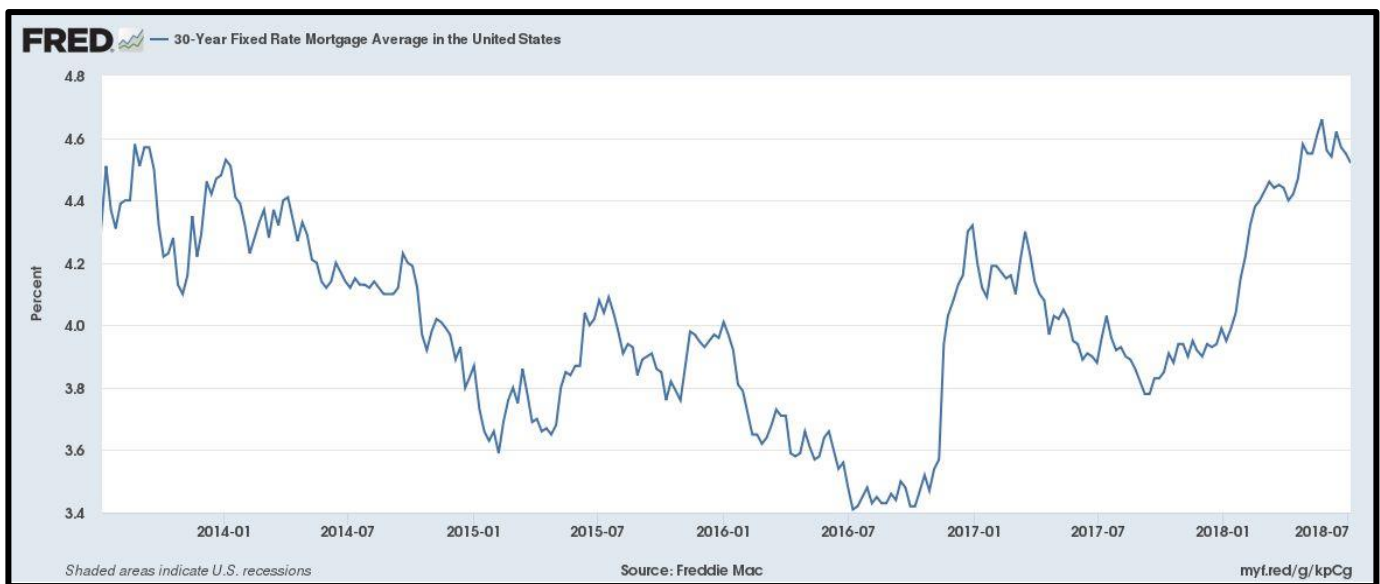
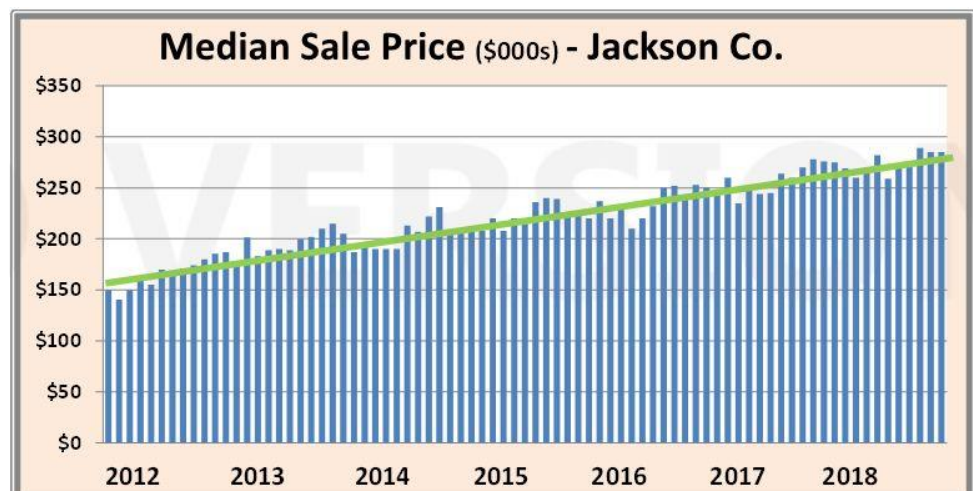


## Reiling's Real Estate Market Report: Mid-Year 2018

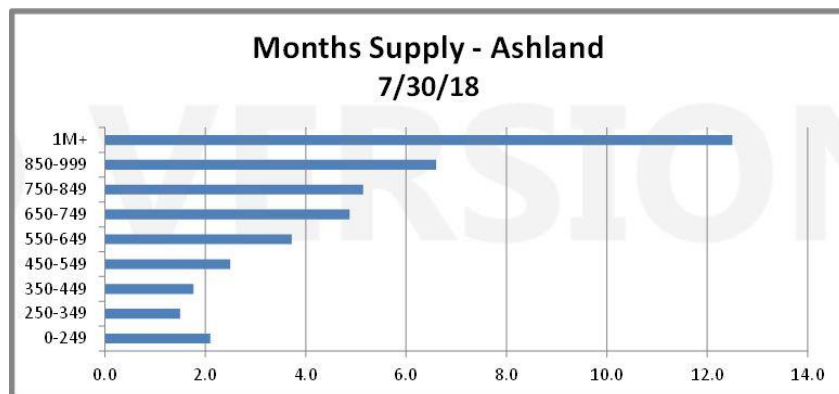
'The times they are a'changing'. A great phrase, and maybe applicable to our real estate market. Certainly our smoky atmosphere is having a dampening effect on buyers and sellers spirits, as illustrated in the smoky beauty of my crepe myrtle shot at right. But perhaps the biggest potential effect on our spirits comes from the recent rises in interest rates. Each one percent rise in interest rates cuts a buyer's purchasing power by about 10%, i.e. a buyer who could afford a \$400,000 house at a 3.5% interest rate may only be able to afford a \$360,000 house at a 4.5% interest rate. As seen in the chart below, that is almost exactly the interest rate change we have seen in the past two years, from about 3.5% in the summer of 2016, to about 4% last summer, to about 4.5% this summer.



In today's market, that change in purchasing power makes a dramatic difference in the selection and quality of houses available to a current buyer, especially if you factor in the Jackson County median price increase of about 18% during that same 2-year period, at its recent steady rate of about 9% per year, as seen in the chart at right. That equates to a home priced at \$300,000 in mid-2016 being priced at over \$350,000 in today's market. Although anecdotally I am hearing that showings and sales on the upper



end are slowing down, properties in the middle and lower price ranges are still in very short supply and



are moving well. Shown below is a recent months-supply price ladder for Ashland. I might note that this ladder is still very similar to the one from mid-2016. Months supply is calculated as current inventory of homes for sale divided by the recent monthly sales rate – in other words, if homes continued to sell at the same rate, and no new listing came on the

market, how long would it take to sell out. Six months supply is considered a normal balanced market. The last time we saw an average of 6 months supply in our valley was in early 2015; we've been running at an average of 4 months supply for the last two years – generally at only 2 months supply or less in the mid and lower price ranges – a very tight 'sellers market'. So in spite of my opening notes on the potential dampening effect of higher interest rates, those rates are still historically low, and the data says buyers are still buying at near record rates. Seems like the grumbling I'm hearing may be mostly a smoke effect.

Anyone who puts their home on the market these days in the lower and middle price ranges will still 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*

Chuck Reiling

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