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Taking risks is what the real estate market is about and if you waited last year you are kicking yourself now

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The weather has been hot this June and July with several heat waves in Boston. If you were to believe the reports in the paper, the word from Realtors and the National Home Builders, the housing market is experiencing a heat wave as well. The home sales in Boston and many surrounding towns have not seen such a seller's market since 2006. Housing starts up 10.4% from 2012 and 2013 is still looking strong. We have all been waiting for this to happen for the last 2 or 3 years. Unfortunately for home buyers the inventory is not there to meet the demand and buyers are also watching mortgage rates increase. Buyers are creating part of this home buying frenzy because they do not wish to miss a low interest rate.

So are we finally seeing the long awaited real estate recovery? Will the rise in interest rates hurt sales and cause extra costs which will derail this recovery? If history is any indication, the recent spike in mortgage rates is going to have little to no impact on home prices, according to a new report from Fannie Mae. After looking at mortgage rates going back to 1990, Fannie Mae's researchers came to the surprising conclusion that while rising rates were likely to hurt the number of home sales, they had virtually no impact on home prices. "History suggests that interest rate increases at the level recently witnessed will not stop the current housing recovery," the report said. There are even some non real estate people indicating we may have a sustained recovery. Hedge fund manager John Paulson says housing is in year one of a four to seven year recovery, and Americans should be purchasing homes. CNN/Money's Maureen Farrell reports.

If you are working in the real estate industry and do not trust a hedge fund manager as one to base your business decisions, maybe you want to know what others are saying and whether this recovery is going to be ended due to interest rates. Mark Zandi, chief economist for Moody's Analytics, examined more than 20 years of mortgage rate and home price data and found that, on average, for every percentage point increase in mortgage rates, the pace at which home prices grew was lowered by half a percentage point. "If sustained, the current rate rise will take some of the steam out of the market," he said. However, he noted that current rates are still quite low and mortgages still very affordable compared with the historical average of more than 6%. "Buyers can live with 4.5% rates," he said. Then there is Jay Brinkmann, chief economist for the Mortgage Bankers Association, who said the recent rate increases will have a bigger impact on how much buyers will be willing to spend on a home. "People buy homes for personal reasons," he said: "They need more room, they relocate for work, they fall in love with a house. Rate hikes usually don't stop them from buying." But there are others with a different opinion such as Lawrence Yun, the chief economist for the National Association of Realtors, believes mortgage rates will indeed impact sales volume and that home prices will ultimately follow. "The dynamics of the housing market is that it affects home sales first and [then] inventory increases," he said. And when supplies go up, he said, prices must go down.

Well if the housing recovery is uncertain and fraught with so many different opinions what about the economy as a whole? Will other segments keep things humming along? The U.S. economy is continuing to grow at a "modest to moderate" pace, the Federal Reserve reported Wednesday, in an assessment that is likely to keep it continuing its loose monetary policy. The Beige Book found manufacturing expanding, rising consumer spending, stable to growing services activity, and moderate to strong residential real estate and construction.

There are two more things which make looking at historical data an uncertain indicator of our economic future. Did you know? About 38 percent of U.S. households are headed by some age 55+. This is the first time in history that this group nearing retirement has been so big and remember the baby boomers have been reshaping everything they touch. The other factor is the huge increase in student loan debt. Never had we had young people so burdened with debt when they are starting out in life. This may mean historical patterns will not indicate what the future will hold or how this recovery will play out.

So as we pass the midpoint of 2013 and plan for the rest of the year and beyond, you may be smiling because you have inventory and are making money or you may remain hesitant to dive into new projects. But taking risks is what the real estate market is all about and if you waited last year you are probably kicking yourself now.

David O'Sullivan is president of O'Sullivan Architects, Inc., Reading, Mass.