

Your Burning Real Estate QUESTIONS

By Bobby Tarango & Mike Arias

1 How long will this market last?

In a previous article 'Speculation is the Mother of all Evil' I pointed out how tough it is to predict the end of a cycle. Economists, Real Estate Experts, Homeowners... Try to predict the market, however I have not seen anyone do it with exceptional accuracy to date. I cannot tell you what will happen 6 months from now. All I can give you is enough facts so you can make your best hypothesis. A typical upswing in the market will only last for 4 to 5 years. We have been going in an upswing in the market since 2011. This is now officially the hottest market ever. The peak median price from the last up swing was \$325,000. Now we are at \$347,000. The median sales price rose 8.5% in just the first 6 months of this year alone. Keep an eye on the interest rates... Keep both eyes on them.

2 Should I sell now?

The answer today is, if you want to ask an unreasonable price and actually get it, you sell now. You have two major advantages on your side today:

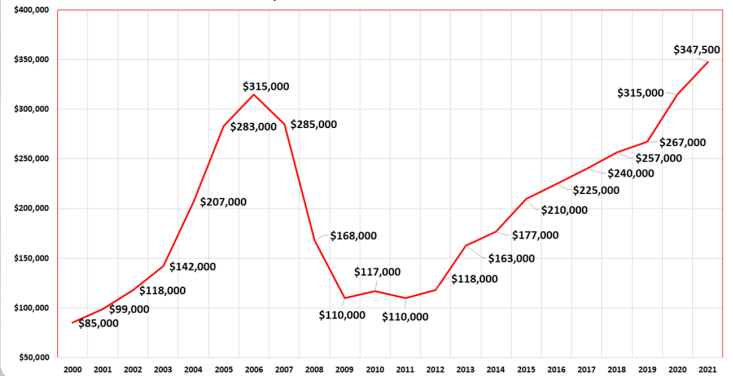
A. Supply:

to say we have a supply problem would be a major understatement. Southern California along with the rest of the country has the lowest supply we have ever had. In the High Desert we a little over 547 homes. For a balanced market for an area our size we would have to have 1,500 to 2,000 listings. Lowest inventory ever. The inventory seems to have stabilized a bit, which is normal for this time of year. We seem to be gaining a few more listings each week. We will see if this trend will continue.

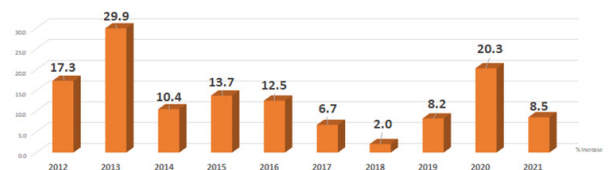
B. Interest Rates:

The interest rate is the main reason we have so much equity growth in our homes. If interest rates start to creep up that could erode some the equity you have gained. If prices keep going up, we could have an affordability issue and that will force prices to come down. Remember The buyer buys a payment.

History of Median Home Price HD (Annually)



Percentage of \$ Increase



3 Should I wait for a market crash to buy?

This run up in pricing is a lot different from the last up cycle. The buyer in this cycle can actually qualify for their home loan and they are well capitalized. The millennial population started to buy in big numbers last year and they are our biggest population. Yes you have a lot of competition and the prices

keep going up, but remember you are buying a comfortable payment. At this point we are not seeing any signs of the market slowing down. Main reason being the super low interest rate. Remember when these interest rates start to climb you will be able to afford less of a home.

4 Some other things to consider:

A. Supply and Demand:

Every decade we build 20 to 25 million homes in the United States. Between 2010 to 2019 we only built 5.8 million. Builders are trying to catch up however they have a few substantial road blocks in front of them. Lumber prices have gone through roof. Everyone has heard about the \$80 sheet of plywood. The second obstacle is finding enough labor. The builders can't build fast enough. They will catch up eventually. Like I said earlier, the inventory seems to have been stabilizing in the past few weeks. We will keep an eye on that trend.

B. Forbearance:

A lot of buyers think there might be an opportunity with all those homeowners in forbearance to eventually go to foreclosure. The owners having to go into forbearance keep dropping. At the beginning the pandemic we had 7 million homeowners enter into forbearance. We are now down to 2.1 million. 70% of all the homeowners that are in forbearance have equity.

So to both buyers and sellers I leave you with this, as an economist I was listening to just recently said: "Pay attention to the trends. The trends are your friend."

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