

## There's No Air in the Real Estate Bubble



Lately, there has been a lot of talk about the "real estate bubble" leading to some confusion as to whether now is a good time to buy and sell a home. A "housing bubble" refers to the scenario in which prices have risen above what market conditions can support. Simply stated, the "pop" – which would lead to tumbling prices - comes when there is an oversupply of homes coupled with drastic job losses. The professionals at **Coldwell Banker® Danforth & Associates** do not see a bubble on the horizon and remain confident that now is a great time to buy or sell. Here is why:

- The National Association of REALTORS® (NAR) predicts that 2005 will be the second best year on record for home sales.
- New home sales are forecast to be 1.14 million in 2005, which would make it the second highest year on record.
- According to Freddie Mac, the 30-year fixed-rate mortgage rate likely will rise gradually, averaging around six percent in 2005 and 6.3 percent in 2006.

Most housing experts agree that these factors, together with an improving economy and homebuyers outnumbering home sellers in most of the country, indicate that home value appreciation will settle into a sustainable slow, steady growth, and not puncture any perceived bubble. In fact, ever since NAR began recording home prices nationwide in the 1960's, the national median price for a U.S. home has never declined.

That's certainly true right here in the Greater Puget Sound area. Over the past five years, we have seen steady growth in home prices. For example, in 2002, a 3 Bed-room/2 Bath home on .25-.50 acres in Des Moines sold for an average of 242K/132 per sq ft. Today, that same type of home will sell for 348K/166 per sq ft, which is an amazing increase. And buyers still outnumber sellers, so there's certainly no slow-down in our neck of the woods!

If you have any questions about "the real estate bubble" and what that concept means to the Greater Puget Sounds Area, stop by **Coldwell Banker Danforth & Associates** at 33313 1<sup>st</sup> Way South in Federal Way, or call 253 222 4046 and I will be happy to show you exactly why real estate continues to be a powerful investment.

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