

August '05 – Real Estate

Location. Location. Location. We have all heard the three secrets to buying and selling real estate. This is as evident today as it has been in the past. Some markets are hot and some... not so hot. Who's hot? Here are the top 10 areas of the country as measured by % increase in median home price from the 1st quarter of 2004 to the 1st quarter of '05*.

Metropolitan Area	% Change	Median Price
Bradenton, FL	46%	\$275,100
Sarasota, FL	36%	\$326,300
West Palm/Boca Raton/Delray Beach, FL	36%	\$362,800
Riverside/San Bernardino, CA	33%	\$343,400
Ft. Lauderdale/Pompano Beach/Hollywood, FL	32%	\$320,700
Las Vegas, NV	29%	\$291,000
Melbourne/Titusville/Palm Bay, FL	29%	\$184,000
Orlando, FL	29%	\$194,400
Miami/Haileah, FL	28%	\$315,700
Ocala, FL	27%	\$122,200

Staggering gains! Congratulations if you own property in any of the above areas. There is a recurring theme in the data...Florida. It holds 8 of the top 10 spots making it clearly the hottest market in the country the past year. Looking at gains since 2000, Los Angeles has seen the greatest appreciation in the country up 106%. Followed by Miami and Las Vegas at 96%, Boston at 79% and New York at 77%. The U.S. average has been 29% since 2000**.

Is this a real estate bubble? That is the million dollar question. If it is, nobody wants to be the one owning property if the bubble bursts.

So what has caused this type of appreciation? Most likely, demand. Demographic changes in our society, specifically the wealthy Baby Boomer generation, which contains 78 million Americans, is likely having a significant impact on housing in retirement areas. In addition, low interest rates, liberal lending policies and financing options allow people access to cash at higher levels than we have seen in recent history. According to the National Association of Realtors, interest only mortgages since 2003 have jumped from < 5% to almost 20%.

Things are not as rosey in S.E. Michigan. I have spoken with many real estate professionals in the area. To a person, they agree the market in our area is very soft. One gentleman, with 45 years of experience in the market, said the slowdown began 20 months ago and he is telling his clients "Don't sell unless you have to."

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