

TOP TEN REASONS TO REMAIN CONFIDENT ABOUT THE OKLAHOMA HOUSING MARKET

Gigi Faulkner uncovers the facts and figures that should make us feel good!

How is the real estate market? Everyone wants to know. We'll take some market statistics, opinions from a few experts, and a good dose of common sense gained from years of experience — and serve up a tonic that is sure to soothe your worries and leave you with a refreshed perspective on Oklahoma housing.

10. You're doing fine! Why does it feel so great to live in Oklahoma now? Newcomers love the quality of life. The renowned friendly spirit of Oklahomans has been energized by continuing renaissance. Everyone is grateful for the low cost of living — the current index is 7.8 percent below the national average, as reported last September by American Chamber of Commerce research. Personal income fueled by increased oil and gas activity has risen 1.6 percent, outpacing the national growth rate. Unemployment is under the national average, and people are gaining on higher paying jobs. Oklahoma's centennial year shows the promise of a prosperous future.

9. No runaway inflation here. Oklahoma property values did not experience the rampant inflation as did housing values in states like California, Nevada, Florida and Arizona. In fact, Oklahomans have benefited from out-of-state investment dollars in recent years, because the reasonably priced properties have offered an attractive cash flow and a great return on investment. For the Oklahoma City metropolitan area, Multilist data* shows the median sales price for single-family homes increased 3.91 percent from the third quarter of 2006 to the third quarter of 2007 with an increase of 9.2 percent over 2005 values. Robert Dauffenbach, economist from the University of Oklahoma, said state housing prices have kept pace with or at the rate of inflation. Oklahomans are the beneficiaries of earned appreciation, the natural consequence of a healthy economy, low unemployment, reasonable financing, and a balance between supply and demand. Because Oklahomans' values didn't skyrocket over the market, residents are in for a safe landing.

8. We've got the money, if you want the house. Despite dire reports in the national media, mortgage financing for homes is readily available for credit worthy buyers. Gone by the wayside are many of the high-risk loans, some of which carried expensive upfront fees and "teaser" initial rates that escalated in an unpleasant increase later. Low down payment options still exist in government insured FHA and VA loans. Historically, bigger loans on luxury property have carried a slightly higher rate than with smaller loan amounts. Locally, jumbo mortgages, or those more than \$417,000, currently carry a rate increase of around 1.75 to 2 percentage points higher than loans under that amount. Investor or non-owner occupied loans still are available and usually require at least a 10 percent down payment. While the interest rate on investment loans is slightly higher, borrowers can pay "points" or upfront interest when they close on the loan, bringing the interest rate back into line over the life of the loan, benefiting the investor with positive cash flow and an attractive financial return. Rental property has been and remains one of the best strategies to create wealth and retirement income. Today homebuyers and investors can obtain long-term fixed rate financing at historically low rates in the 6.5 percent to 8 percent interest range.

7. Foreclosures are an unfortunate reality. Foreclosure rates have risen both nationally and locally. The Mortgage Bankers Association reports that foreclosure inventory — those homes already on the market — was higher in Oklahoma in the first quarter of 2007 than the national average. Taking a look at the actual number of newly initiated foreclosure actions for the same period indicates Oklahoma has fallen below the national average, a positive signal for the future. It also reports that many delinquencies, those loans with late or skipped payments, have been caused by adjustable rate loans with an initial interest rate that rises. In fact, Oklahoma is in the top five states for delinquencies in the prime adjustable rate category. The MBA's chief economist, Doug Duncan, compares the national versus the state-by-state foreclosure scene with a statement that may bode well for Oklahoma: "What continues to drive the national numbers, however, is what is happening in the states of California, Florida, Nevada and Arizona. Were it not for the increases in foreclosure starts in those four states, we would have seen a nationwide drop in the rate of foreclosure filings. Thirty-four states had decreases in their rates of new foreclosure.".

6. Exotic loans are rare in Oklahoma. Referring to the delinquencies and foreclosures that inevitably harm the market as a whole, Duncan continued by saying that "there is a clear divergence in performance between fixed rate and adjustable rate mortgages due to the impact of rate resets." National publications show large problems caused by the national subprime market. While it is not possible to track the percentage of adjustable and subprime loans in Oklahoma, several local experts have weighed in, estimating Oklahoma subprime loans to be a minor part of the recent market. Ron McCord, president of First Mortgage Company in Oklahoma City, stressed that the majority of the subprime lending was at fixed rate and was approved at the actual note rate, not a teaser rate. McCord said "Affordability, continued home appreciation, and proper underwriting is why we will not see the foreclosure problems others are experiencing."

5. Real estate signs are cropping up all over. It is true that a greater number of homes are on the market than at this time last year, but inventory levels are being absorbed at a fairly steady rate and are expected to continue at a healthy pace. On the whole, homes in the central Oklahoma MLS area are selling in an average of 79 days at 98 percent of list price. Nationally, existing housing inventories rose last July by 5.1 percent to a 9.5-month supply. By October 2007, the Oklahoma City metro area showed 9,504 listings on the market, with 1,516 homes sold that same month, equating to about a six-month supply of homes. This type of analysis, called an absorption study, is performed by real estate professionals using a variety of criteria to compare "like-kind homes;" to estimate the expected time a property will take to sell.

By professional standards, a five- to six-month supply of homes is considered overall to be a balanced market, with an advantage to buyers of an ample selection at affordable and reasonably appreciating prices.

4. First-time homebuyers, call yourselves lucky! Homes still are affordable for first-time homebuyers. According to statistics provided by the Oklahoma City Metropolitan Association of Realtors, the price of a median home in the Central Oklahoma market was \$129,900 as of October 2007. Using the median price as an example with an FHA mortgage, a buyer could obtain financing with as little as a 3 percent down payment before closing costs. With an interest rate of 6.5 percent, on a fixed rate 30-year loan, the monthly payment would be \$797 before property taxes and insurance. With the addition of tax and insurance escrows, the total payment is estimated to be well within the qualifying capability of an individual or family with a gross annual income of \$43,000. In contrast to other states, more first-time buyers in Oklahoma are able to buy a home. Buying a first home is the first step to creating wealth for many young people. After accumulating equity, they are able to move up to a larger home, helping to drive the entire real estate market.

3. Even the Land Run came to an end. The real estate market has always been cyclical. The market has gone from sizzling hot to a toasty warm temperature. The number of Oklahoma home sales has decreased, but the lower number of sales has not affected values. Decreased building permits will further ease current inventories. This year some buyers and sellers have moved into a reserve pattern, holding back on the decision to purchase or sell a home. Ken McBride, president of Capitol Abstract and Title, observed that any pent-up demand will only serve to fuel a future rebound. This is confirmed by Lawrence Yun's projection that on a nation-wide basis, existing home sales are projected to be 5.93 million this year and rise to 6.27 million in 2008, still below the 6.48 million homes sold in peak 2006, but definitely moving in the right direction.

2. The sky is not falling! Overall, Oklahoma home prices are not falling either! While 2007 third quarter data from the Office of Federal Housing Enterprise Oversight showed the first quarterly U.S. price decline in 13 years, the national rate of price appreciation still gained 1.8 percent from the same period in 2006. In contrast, the report spelled good news for Oklahomans. Tulsa prices increased 2.03 percent in third quarter 2007 from the previous quarter and 6.01 percent from third quarter 2006 to third quarter 2007. Oklahoma City prices fared well, with a 2.4 percent increase quarter to quarter and 4.7 percent from the same quarter a year earlier.

While price increases are ahead of much of the country, the report drives home the fact that real estate is intensely local. Supply and demand rules the day. Experienced real estate professionals understand and are able to interpret the changing nature of local "micro-markets;" A micro-market can mean certain price ranges, a particular subdivision or even an overbuilt new home product can be oversaturated, leading to price reductions and even buyer incentives to stimulate sales.

Currently, the homeowner who attempts to overshoot the market with a high asking price will often find a price reduction necessary to attract serious buyers. Well-priced homes in top condition with upscale amenities and fine finishes are selling well at or close to list price and often attract multiple offers — important signposts pointing to consumer confidence in the market.

1. Under all is the land. This statement begins the preamble of the Realtors' Code of Ethics and speaks strongly to the opportunity for home ownership and the belief in private property as the foundation for building wealth and security in our country. Predictions for the future are positive. Yun says it's important to place the current housing market in perspective. He predicts that 2007 will be the fifth highest year on record for existing home sales. One out of 16 American households will buy a home this year.

U.S. home ownership levels were at 68.9 percent at the end of 2006. Clearly Americans value owning their own home and communities benefit from their ownership. Owners are more likely to vote and volunteer in politics and for charities. Owners provide neighborhood stability, involvement in the community, quality of life, help prevent crime, contribute to childhood education and support neighborhood upkeep. Homeowners are stakeholders.

Many people have realized this dream. The challenge to increase the quality of life for fellow Americans is to make home ownership available to more people. Oklahomans can start in their own backyard. People should talk to family, friends, and co-workers about the benefits and the possibilities of owning a home and the advantages of starting the process early. Equity in a home helps many people weather storms, regardless of cyclical market changes. In the long run, owning a home is far more essential than just crunching the numbers. A home is a place of belonging, the security of a

strong foundation ... a sense of place. And when that place is Oklahoma, we are blessed indeed.

*Based on information provided to and compiled by MLS Gateway.com Inc. covering a period 1/1/2005 through 10/31/2007. MLS Gateway.com Inc. does not guarantee or is in any way responsible for its accuracy.

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