

Crazy Housing Prices

Homebuyers nationwide are watching housing prices go up, up, and up. “How high can they go?” is the question on everyone’s lips. “As long as interest rates stay around 5 percent, there’s no telling,” remarked one realtor in Santa Monica, California.

“It’s crazy,” said Tim, who is looking for a house near the beach. “In 1993, I bought my first place, a two-bedroom condominium in Venice, for \$70,000. My friends thought then that I was overpaying. Five years later, I had to move. I sold it for \$230,000, which was a nice profit. Last year, while visiting friends here, I saw in the local paper that the exact same condo was for sale for \$510,000!”

It is a seller’s market. Homebuyers feel like they have to offer at least 10 percent more than the asking price. Donna, a new owner of a one-bedroom condo in Venice Beach, said, “That’s what I did. I told the owner that whatever anyone offers you, I’ll give you \$20,000 more, under the table, so you don’t have to pay your realtor any of it. I was tired of looking.”

Tim says he hopes he doesn’t get that desperate. “Whether you decide to buy or decide not to buy, you still feel like you made the wrong decision. If you buy, you feel like you overpaid. If you don’t buy, you want to kick yourself for passing up a great opportunity.”

Everyone says the bubble has to burst sometime, but everyone hopes it will burst the day after they sell their house. Even government officials have no idea what the future will bring. “All we can say is that, inevitably, these things go in cycles,” said the state director of housing. “What goes up must come down. But, as we all know, housing prices always stay up a little higher than they go down. So you can’t lose over the long run. Twenty years down the road, your house is always worth more than you paid for it.”