

# REAL ESTATE UPDATE

Summer 2021



The frantic and hectic market continues with no end in sight. Rates remain low (at/below 3.5% for a 30 year fixed) and prices continue to climb. It is safe to say that if you own a home on the west side of Cleveland, your home has never been worth more money than it is now. At the same time, of course, if you are buying in this market, you will be paying more for your house than you have ever paid before. As I see it, there has been no segment of the market unaffected by this price run-up.

For sellers who are down-sizing, they can still win in a buy/sell exchange but only in the margins. i.e. if you are selling at \$500,000 (up 15% in past 18 months) and buying at \$300,000 (also up 15% in the past 18 months) you will gain \$75,000 on the sale of your home (\$500,000 x 15%) while paying a premium of \$45,000 for the \$300,000 house (\$300,000 x 15%)...a net 'gain' of \$30,000. Obviously, this exchange rate is reversed if you are selling lower than you are buying.

Perhaps the hottest sector of the market is single family homes or cluster homes with a first-floor master suite. The baby boomers are of an age for which this arrangement is attractive. Kopf Builders in Avon Lake has to work very hard to keep pace with the market in their cluster home development (The Harbour) south off of Walker, just west of the county line. Due to supply chain issues and demand, construction materials are priced very high resulting in increased prices for new homes. This is a contributing factor to the price/value increases in the re-sale market.

As is always the case when there is a significant price run-up, whether it is in equities, commodities or real estate, there is fear of a bubble. While a significant and jarring price correction is always and only possible during such significant price increases, my current view is that our market is not on the cusp of such a correction. I base this view on my day-to-day experience working with buyers and sellers. Houses that are selling quickly, as most of them do, aren't being sold with only one offer. It is not uncommon for there to be 4 or 5 or more offers on the same house. In Avon Lake recently, I was told of a house for sale in the mid-\$400's that sold for well over asking with over 60 offers. That means that the 59 buyers who failed to get the house are (almost) all still in the market, still looking for another house. Eventually, they will be successful but to secure their house, it may take 6 months to a year (or more). This gives me reason to believe that the current market is deep and durable.

In order to succeed in this market, it is not uncommon for buyers to make an offer well above the asking price, with no inspections and with an appraisal 'waiver' (meaning the buyer will complete their purchase without regard to the mortgage lender's appraised value). The risks are obvious but these are the features common to the successful bid to purchase a home in this market.

As sellers continue to up their asking prices, at some point, buyers will decline to pay these premium prices...it will be at that time that the market will begin to cool. The first signs of this will be longer days on the market for the houses which are for sale; second will be an inventory back-up (more houses coming on to the market than are selling off of the market). Because of the depth of the pool of buyers waiting to purchase a home, I do not think this cooling will be abrupt or dramatic. However, if mortgage rates increase significantly in conjunction with a softening in demand, then the correction will likely be more abrupt.

My real estate team is very-well positioned to support our client's efforts to either buy or sell real estate in this market. Please don't hesitate to contact me to follow up.

Sincerely,

*Bill Reilly*



Bringing people and houses together since 1982



## Homes Listed & Sold By The Bill Reilly Team



5860 Park Ridge Dr, N Olmsted  
Offered at \$229,900



4660 Ashbury Park Drive, North Olmsted  
Offered at \$279,900



3861 W 210th Street, Fairview Park  
Offered at \$194,900



248 Seaward Way, Avon Lake  
Offered at \$524,900



28014 Lincoln Road, Bay Village  
Offered at \$325,000



26949 Elizabeth Lane, Olm Township  
Offered at \$149,900



31734 Lake Road, Avon Lake  
Offered at \$1,495,000



5761 Park Ridge Drive, N Olmsted  
Offered at \$199,900



# Connecting Buyers With Their New Homes \*



225 Westwinds Dr 34, Avon Lake  
Offered at \$271,500



3220 W 231st Street, N Olmsted  
Offered at \$179,900



1407 W 10th Street, Cleveland  
Offered at \$525,000



4849 Scotch Pine Way, N Ridgeville  
Offered at \$172,000



9341 Norwich Place, N Ridgeville  
Offered at \$234,900



42172 Meadow Lane, Lagrange  
Offered at \$199,000



37 S Chillicothe Road, Aurora  
Offered at \$184,900



30 Astor Place, Rocky River  
Offered at \$630,000



12550 Lake Ave #1708, Lakewood  
Offered at \$297,000



1060 Richmar Drive, Westlake  
Offered at \$349,000



12900 Lake Ave #2023, Lakewood  
Offered at \$299,900



26527 Osborn Road, Bay Village  
Offered at \$245,000



33648 Saint Francis Dr, Avon  
Offered at \$549,900



3163 Columbia Road, Westlake  
Offered at \$234,900





# {village} PROJECT}



Save the Date!

## Second Annual Village Project Golf Outing

Monday, September 13, 2021

Avon Oaks Country Club  
Avon, Ohio

[www.villageprojectgolf.com](http://www.villageprojectgolf.com)

All Proceeds Benefit Village Project

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