

The *Real* Richmond Residential Real Estate Forecast

Do you remember the great toilet paper shortage of 1973. There really was one, but only because the media convinced the public that such a shortage existed. Here's what happened...

Late night TV talk show host, Johnny Carson, told a joke about a toilet paper shortage. It was just a joke, but the public believed him. The following morning some 20 million viewers had wiped out the toilet paper supplies across the country. An erroneous perception had created a real problem.

Something very similar is going on within the real estate indus-

try nowadays. The media, both national and local, are so intent on convincing the public that there's a real problem in the real estate market, that they have, in effect, created a problem.

What is the reality? What is the Richmond residential real estate forecast, based on reality and not perception? To find out, we spoke with John Parrish, director of marketing and communications for the Homebuilders Association of Richmond, as well as Laura Lafayette, vice president of the Richmond Association of REALTORS®. We also got input from an area REALTOR®/Broker, Vicki Lindsey. Here is what they told us...

FROM A BROKER'S POINT OF VIEW

Vicki Lindsey has been selling real estate in the Richmond market for over twenty years. She is, in large part, the inspiration for this special feature. When we first spoke, she said she would like to tell our readers that the real estate market, here in Richmond, is much healthier than what news reports might have you believe. So, we begin with her thoughts...

OK, it is time to lower the volume on those life support systems in our homes. You know the ones, where we have them turned on and tuned in to the news, not just in one room, but in several rooms at the same time. That way, we are sure not to escape the constant hammering away at our economy, the falling housing prices, and anything else we feel we must hear 24 hours a day. As we move through our lives, we don't want to miss one drop of this dripping of negativity. The sad truth is that the grouping together of this type of information on a national level is not at all reflective of what is happening in the Richmond market. Worse yet, I would not be surprised if those reporting about the "falling and failing" housing market were not pumping money into their real estate investment trusts to acquire more property. Investors are realizing what is happening, and buying whatever they can afford.

I recently took a sampling of the counties surrounding Richmond for the purpose of giving an overview to one of my clients. I have to say, the figures were much better than I had originally expected, and this is very good since I have remained quite optimistic about our housing market. In about 80 recent closings in one county, and these were in the price range of about 300K to 350K, only about 20 sales reflected the seller giving a closing credit to the buyer. Buyers

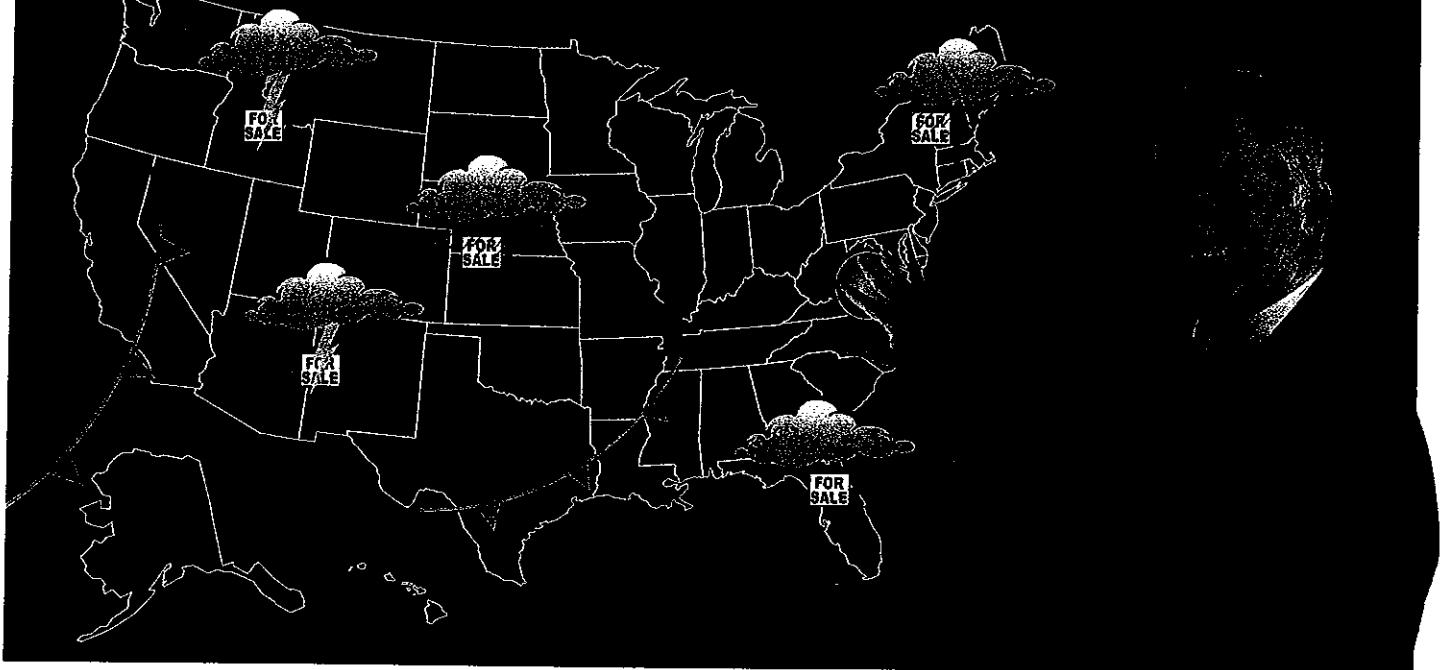
have been lead to believe that sellers are giving away the farm, and that is just not the case. Sure, as in any market, some sellers who simply must sell will make deep concessions. But, for the most part, if the price is not what the seller is looking for, they can just stay put and not move at all.

The main reason for a seller reducing his or her price is that the buyers have more homes from which to select, and the sellers want to try to beat out those competing homes. That does not mean the value is not there. Many homes will appraise for quite a bit more than the selling price, but that is a reflection of a seller who has decided not to wait longer for his or her asking price. It is not a reflection of diminished value.

I have always believed that a price reduction is important when you are trying to overcome a specific obstacle with a particular property. If a home is on a very busy street, and does not set back significantly from the road frontage, that would be an excellent reason to price the home below the comparables. If the home has an undesirable slope, or is missing an important feature that the majority of buyers are looking for, that would be another reason. If a home simply needs to be staged or freshened up with new paint or carpet, or a new roof, I would much rather see a homeowners get the right price for their investment by maintaining the home in the first place. If, for example, several people in your subdivision have "deferred maintenance" issues and sell for way below market value, now you will have a true drop in values in that neighborhood, so it hurts everyone.

Some folks do not look at all of the data when they list their home

cont. on page 52



DISPELLING THE MYTH

John Parrish recently provided some information to members of his organization (HBAR), the theme of which was, "Dispelling the Myths."

Myth 1: The Sky is Falling. Housing has always been a very cyclical business. In the mid 1970s and the early 1980s and 1990s, housing production and sales dropped by more than 60 percent in a matter of months. During those cycles, we confronted and overcame many of the same problems we face today – large numbers of unsold homes, skeptical and reluctant consumers, tight credit markets and shortages of money for certain borrowers, declining home values, and prospective buyers who had difficulty selling their existing homes. The important thing to remember is that over time the market corrected and we rebounded to production and sales levels that beat or matched the records of the previous cycle.

Myth 2: There's No Mortgage Money. If you believed the headlines or the endless doom and gloom about subprime lending on cable television news; you would think that the pot of mortgage money has dried up completely. Nonsense! The vast majority of our buyers are

seeking conventional, conforming mortgages at or below \$417,000. These loans are purchased by Fannie Mae and Freddie Mac and have the implicit guarantee of the federal government. While underwriting standards may be tighter for all loans, credit-worthy home buyers should have no problems in finding conventional, conforming mortgages at very attractive rates – slightly above 6 percent for fixed rate, 30-year loans. And with the latest moves by the Federal Reserve to cut interest rates and increase liquidity, the availability of money for jumbo loans has also improved for credit-worthy borrowers, although rates on those loans are about one percentage point above conforming loan rates and down payment requirements are higher. Nonetheless, getting the word out that mortgage money is available at a very attractive price for credit-worthy borrowers is critical to boosting consumer confidence and traffic of prospective customers.

Myth 3: Foreclosure Rates Are Skyrocketing. While foreclosure rates have increased in the past year, almost all American home owners are making their mortgage payments on time and are in no danger of losing their homes. Most foreclosures are concentrated in the once superheated markets in California, Florida, Arizona and Ne-

cont. on page 52

THE RICHMOND REAL ESTATE MARKET – Dark Clouds Or Fair Skies?

Have you ever noticed how the local weathermen so often predict cold, snowy days, which often turn out to be relatively warm and sunny? If you're a snow lover, that may not be good news. But the good news is that the forecasters of gloom and doom in the real estate market are definitely not in tune with the climate here in the Richmond metropolitan area.

Forget the forecasts of a homes sale cold front moving in. In fact, according to Laura Lafayette, senior vice president of the Richmond Association of REALTORS®, the market in this region really hasn't cooled all that much.

Lafayette says that the change in the real estate climate here in the Richmond market is more a return to normalcy than what both buyers and sellers were experiencing two years ago.

The good news, she says, "is that if you've had your home for at least five to seven years, you're going to realize tremendous equity." Despite what may be true in many parts of the country, home prices have not come down here. In fact, home prices actually increased 4% this year, over 2006. "The double digit increases we saw a couple of years ago," Lafayette says, "were simply not sustainable."

We asked Lafayette if it's a buyer's market today. "Slightly so," she says. "There's plenty of inventory. Interest rates are excellent. The buyer is going to be able to get the home he or she wants at a good rate." However, she cautions, "Buyers shouldn't expect deals and steals."

So, the forecast for homebuyers is excellent. But what's the climate if you're considering selling your home? The good news is that this is also a great time to do that. Why?

As mentioned previously, housing prices here continue to go up. The number of closes, Laura Lafayette says, in 2006 held steady with the 2005 numbers. She does offer some good advice for sellers: "Don't overprice your home and then be forced to do a price reduction thirty days later." Bottom line, according to Laura Lafayette: "Price it right, have it in good shape, and be patient. You will sell your home."

There's an additional reason why it's a great time to sell your home, and that is because it's a great time to buy a home. Whether you're moving on up, or downsizing, you probably need to sell your current home in order to purchase your next. So, there should be

cont. on page 52

OPEN HOUSE

From A Broker's... continued from page 50

for sale. When a home sells in one day with 5 offers, it could be that the home was put on the market so far below value that the owner lost a bundle of money. It is important to use a professional REALTOR® who will provide you with ALL of the data so you can make an informed decision. Anyone can sell a house in one day, if it is given away.

As far as the Richmond market, this is a great time to buy and hold. If you have children that will be going to college, one investment property that you purchase today and rent out will often pay for their college in full when you sell it. One investment home per child is a pretty safe plan for college tuition in my opinion.

My best advice, turn off the life support systems and turn on the music.

Vicki Lindsey, Broker/REALTOR® is a Real Estate Broker for Gold Point Real Estate, and has received the Distinguished Achiever Award every year since 1999. She previously worked in the Security Management and Investigations field for 19 years, and brings those transferable skills into the Real Estate arena. She is currently working on two books. ■

Dispelling the Myth continued from page 51

vada and the upper Midwest states of Michigan, Ohio and Indiana, which have been hit hard by job losses, plant closings and depressed local economies. In fact, in 34 states the foreclosure rate actually declined last month. There is a lot of concern about the two million subprime loans that are due to reset over the next two years. That's a major problem that needs to be dealt with. But it's important to remember that 37 percent of all single-family homes are owned debt free -- without any mortgage -- and home owners nationwide have built up more than \$11 trillion in equity that provides a good cushion against any decline in values. In addition, 97 percent of prime borrowers -- the bulk of the market are up-to-date on their mortgage payments.

Myth 4: Home Values Are in a Free-Fall with No Bottom in Sight. Except for about 30 or so high-flying metro markets where home values doubled in four or five years, the correction in home values has been relatively modest. Over time, home values will stabilize and then edge upward with the next recovery.

The Bottom Line: Housing is a very tough and resilient industry. We will be back -- stronger and better than before. ■

Dark Clouds... continued from page 51

plenty of incentive to contact your REALTOR® now.

But hasn't the meteoric rise in foreclosures hurt home sales? That's virtually a non-problem in this area. "We have one of the lowest foreclosure rates in the nation," Lafayette says.

One might think, if one simply listened to media naysayers, that this must be a horrible time to be in real estate. But, Lafayette says, "We (the RAR) have almost 6,000 members and we continue to see a net increase in those coming into the business. We have not experienced even one month with a net decrease."

Lafayette says all the indicators point to continued stability in the Richmond Metropolitan housing market. "We can't find any indicators to show that we will experience the highs or the lows as found in other markets."

Yes, the housing market may have slowed down a bit, but as Laura Lafayette says, "It hasn't come to a screeching halt." In fact just the opposite is the case. Her conclusion regarding the Richmond area, "We're going to experience a consistently strong housing market for a good many years to come."

And that sounds like a forecast we can all live with! ■