

Real Estate Roller Coaster - Facts, Tips and Tricks to this ever changing market

1



Real Estate Roller Coaster

The dips, turns, and flips of the house market don't necessarily make for a smooth ride, but it's still a good idea to hop on.

By: Kristen De Deyn Kirk

Dawn Miller, a Realtor with Exit Realty Central, has

been helping clients buy and sell homes for six years, and she's seen it all—from the going-likegangbusters years to the much-slower, what-obstacle-will-pop-uptoday months. Part of 2009 fell into that latter category.

“It was personally more of a challenge than years past,” she notes.

She worked with about the same number of clients in 2009, but more road blocks appeared. Sometimes it was a seller insisting on pricing a house higher than the market could bear or a buyer having his financing fall through. Other times, a home would not appraise for as much as the buyer

and seller hoped for— or repairs were needed and the bank wouldn't approve the amount required to fix them.

"My (sales) closings dropped about 15 percent," says Miller. Newer Realtor Ashley Swindell wasn't a huge fan of 2009 either. She had shown her bravery and determination by jumping into the field in 2008, as sales were continuing to slow after the sellinglike-hotcakes years of 2004 to 2007.

She earned her license in May 2008 and was working as a site agent at Norfolk's Harbor Heights condos the next month. She describes her 10 months there as "very challenging."

She's glad to report that 2010 has been better for her personally, as is the case for many of her associates at Nancy Chandler Associates.

"I think it is basic economics—supply and demand," says Swindell. "There has been such an increase in inventory and prices have dropped, so sales have increased. I don't anticipate much to change in that regard any time soon. We continue to see the average sales price falling month after month. It is still going to take a good while for the market to correct after the craziness that happened. Prices were overinflated while the median household income basically stayed at the 'normal' growth rate, which put the real estate market out of kilter." Her market reports for the Southside of Hampton Roads for the first five months of 2010 show inventory slightly down in January and February in comparison to 2009, but March, April and May were up. Average sales prices have been down every month, with the exception of February, when they were up by a little more than 4 percent.

Nationwide Price Decline Of course, Hampton Roads isn't alone in the downward spiral of home prices. According to Susan Wachter, a professor in The Wharton School at University of Pennsylvania, 40 states saw housing prices decline between 2006 and 2009. During a June presentation in Norfolk, she noted that California saw a drop of 36 percent, Florida 37 percent and Nevada 49 percent.

Overall in Virginia, prices fell between five and 10 percent during the three-year period.

As of May, the prices appeared to be on the rebound nationwide. Wachter reported a small increase of 2.7 percent over the same month last year. Home sales throughout the country, however, were weaker than expected that month, reaching 5.5 million, when the prediction had been 6.12 million.

Other figures that Wachter presented were bleak (see below):

THE FACTS:

-In the third quarter of 2009, 4 million loans were in foreclosure. Four years earlier, only half a million faced that agony.

-In the fourth quarter of 2009, 14 percent of mortgage payments were delinquent. In 2006's fourth quarter, that number was only six percent.

-About 300,000 homeowners go into default every month.

-In 2006, 50 percent of housing prices were overvalued.

-There is a significant housing overhang– the number of homes in delinquency or foreclosure–as many as 7 million homes.

-The number of defaults, including people who were 30 days late paying their mortgage, was 7.89 million.

-Many homeowners have negative equity as a result of falling home prices, increasing the likelihood that many of them will default; as many as 5 million homes.

-The inventory of existing homes for sale in the country was 3.6 million as of March, which is equal to an eight and a half month's supply.

Of big concern to Wachter and all homeowners:

Nearly 16 million people were underwater in their home loans (owing more than their home was worth) in 2009, and if home prices drop on average by another 10 percent, the percentage of homeowners who are underwater would grow by 56 percent.

Local Trends

Realtor Miller points out that listening to national facts about real estate sales and foreclosures gives you just that: national facts–and not a picture of what is happening in Hampton Roads. She encourages locals to become better acquainted with the real estate trends here, alongwith the entire process of selling and buying a home, before they get into the market and panic unnecessarily.

Whether or not things are “good” locally, right now, though, depends on what numbers you look at and what you want for your future. According to the 2010 Hampton Roads Real Estate Market Review and Forecast, written by Blair Hardesty for Old Dominion University's E.V. Williams Center for Real Estate and Economic Development, there's both good and bad news when reviewing data from 2009 (see below):

THE FACTS:

- New construction permits and newly constructed home sales continued to decline in 2009 (14.2 percent and 17.4 percent, respectively), but by a lower percentage in comparison to 2008.
 - The average market time to sell an existing home was 87 days, the largest number of days since 1994 when market time tracking began.
 - Builders are concentrating on selling standing inventory and have been relatively successful: The current new construction inventory of attached homes priced below \$300,000 and detached homes below \$400,000 are in short supply.
 - The average price of a new detached home in Hampton Roads was \$360,046, down 10.1 percent from 2008.
 - The average price for a new condominium was \$373,739, down 9.1 percent.
 - Closings on existing homes (versus new construction) increased by 6.5 percent to 15,541, the first time an increase has been recorded in four years. Lower prices and the federal homebuyer tax credit are responsible for this increase.
 - Foreclosures and compromised sales (where sellers owed more than their home's worth) made up 19.7 percent of sales, a 121 percent increase from 2008.
 - Only two Hampton Roads communities didn't experience drops in average closing prices: Gloucester Country, which had a 1.4 percent increase, and Williamsburg, with a 4.4 percent increase.
 - Virginia Beach had the largest decline (down \$29,878) in average home selling price.
 - Sales on multi-story condominiums were down by 52.5 percent.
 - Considering this drop and the current number of multi-story condos for sale, Hampton Roads has a five year inventory of available, multi-story condos.
 - Townhome and duplex closings were down 9.1 percent. Portsmouth was hit hardest, with a sales closing decrease of 81.1 percent.
 - On average, existing homes sold for 92.1 percent of the original listing price.
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The Bottom Line

The federal tax credit, which gave first-time homebuyers a write off of \$8,000 and repeat buyers \$6,500, ended in April. Realtors credited it with motivating people to finally take the leap into home ownership, and its demise has already had an impact. After reviewing reports, Dawn Miller found

that sales contracts are dropping every week in the \$200,000 to \$250,000 price range, the type of homes many first-time buyers were purchasing.

“The under-contract numbers are falling by 20 to 30 each week,” says Miller. So that’s bad, right?

“It all depends on how you look at it,” she says. “The number of sales are down in that group, but it can be a good thing for some buyers who can still purchase a home without the credit, because they have less competition.”

And sellers need to be reminded that sales may have spiked in March and April just before the credit deadline. “They need to know all of that buying because of the stimulus has ended,” Miller says, while also noting that some military members might still be able to receive the credit, but they must consult with an expert Realtor about their situation.

And for sellers, while they’ve heard that “location, location, location” is most important with real estate, they should be more concerned about other things these days.

“Sellers need to understand that the condition of their house is vitally important,” says Julia Shea, a Realtor with Nancy Chandler Associates. “They also need to understand that their asking price must be based on the current market, and not what they paid for the house, what the tax assessment is or what their friends and neighbors say the house is worth. It is not a terrible market. Homes are selling, but buyers are more selective, and sellers need to be proactive in making their property stand out from the competition.”

Brian Duncan, leader of the Brian Duncan Group at Keller Williams Realty, concurs:

“Buyers are looking for homes that have already been updated, are in movein condition and are priced correctly,” he says.

He’s noticed several subdivisions in Virginia Beach selling a lot of inventory, with both Princess Anne Plaza and Red Mill Farm having less than a five months’ supply of homes on the market. He says that indicates a “sellers market” in those communities, but that may or may not be the situation going forward without the homebuyers tax credit. Prices had also dropped as much as 25 percent from their highest point in those communities, which contributed to the desire to buy there. He believes the prices will remain flat in the two areas throughout 2010. Miller sees sales as being strong in other Virginia Beach areas, including those that feed into Landstown, Kempsville and Salem high schools.

“Overall, the market is definitely rebounding, especially with homes that are priced under \$350,000,” she says. “People understand this is a good time to buy. The interest rate is low at 5 percent, and you can buy it down even lower.” She can’t say for sure, of course, but Miller believes the interest rate will go up. And Susan Wachter, the University of Pennsylvania professor, predicts

an increase in home prices nationwide, after a slight decrease this year: For 2010, she says prices will drop 1.36 percent. Then they'll go up 1.33 percent in 2011, 2.7 percent in 2012, 3.45 in 2013 and 3.77 percent in 2014. If these predictions come true, the average home price will be up 10.6 percent in four years. Buyers and sellers are currently close to being on the same page price-wise. While last year the list price/selling price ratio was 92.1 percent, it is now about 98 percent, according to Duncan. And buyers get more than the best prices in years:

“Sellers are still paying some if not all of the buyer’s closing costs in this market, which is usually about three percent of the average priced home,” Duncan says. “One hundred percent no down payment loans are still available, too, for some people through Virginia Housing Development Authority.”

Buyers have advantages, but they might want to be ready to purchase more quickly. Miller notes that the number of days it takes for a home to sell on average was 70 as of June, while it was 87 last year.

No, two months and a few days to sell a home isn't setting any sales records– but it is a 20 percent improvement. And really, despite the mixed bag of good news-bad news in the real estate market, local purchasers should feel confident:

“We will always have a robust housing market due to our coastal location and large military presence,” says Duncan. “Buying in Hampton Roads is a great, long-term investment.”

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