

What's the deal with this housing market?

By KATHLEEN SCHULTE CEO, NMAR
Daily inter Lake - Friday, April 16, 2010

Science Digest 1948 quote, "Houses cost too much for the mass market. Today's average price is around \$8,000 - out of reach for two-thirds of all buyers."

Nations Business 1977 quote, "The median price of a home today is approaching \$50,000... Housing experts predict price rises in the future won't be that great."

Money Magazine 1985 quote, "The golden age of risk-free run-ups in home prices is gone."

This morning I heard this question, "Will the real estate market dig itself out of the snow bank?"

The first three quotes proved questionable as housing markets strengthened and prices continued to go up. The question from this morning remains to be answered. We hear news from the media regularly on distressed markets and sales. Most of this news comes from metropolitan areas. Housing inventories that include foreclosures, short sales, REOs and other distressed sales vary greatly around the country. We are bombarded with news on the ratio of homes needed to serve a market area with some claiming housing inventories are enough to supply buyers for upwards of 10-plus years.

When we are constantly hearing this news it can cause us to misjudge our own market area! It can cause "market fear" for families who need to sell and a "wait and see" attitude with buyers. It is important to know your market. Just the greater Flathead market area has smaller market pockets that are doing well and pockets that are stagnant. If you don't know your specific market it can cause you to price your home wrong or shop unrealistically.

Let's look at a little real estate vocabulary in layman's terms:

1. Foreclosure Property: One that has already been returned to the mortgage holder.
2. REO: Real Estate Owned by a bank after an unsuccessful foreclosure auction.
3. Short Sale: When the debt owed is greater than the selling price.
4. Underwater: When the debt owed is greater than the current market value.

When contemplating a major real estate purchase accurate statistics and a reliable market analysis are vital to making smart decisions. If you have been to some of the Web sites that allow you to search and make your own value judgment you probably already know that most of these sites estimate the value of Montana properties as much as 30 percent too high.

Why is this?

There are a number of reasons why the calculations used for determining value on these Web sites can be incorrect, but in Montana there is one very obvious reason: We are a non-disclosure state! What does that have to do with it?

Montana does not list selling prices in public recordings which is where most of these Web sites pull the data to compare values. Since they have no public records to show them sold data and MLSs in Montana don't publish sold prices either, they turn out to be "guesstimates" of value rather than reliable market valuations.

Often a seller will decide to be a "For Sale By Owner" (FSBO). Sellers talk to others who have sold their homes and try to find out selling prices, terms and other comparable information. This can be misleading as statistics show that sellers often are embarrassed by what their home sold for and will exaggerate the sold price. Sellers also often misunderstand real estate factors such as how to count a bathroom with only a shower and no tub or a room without egress windows that they improperly classified as a bedroom.

When they compare properties they often greatly miss the mark on these factors. They also research values on these "guesstimate" Web sites to determine their own home's value. Then up goes the sign and in go the advertisements. Potential buyer's drive by, make calls and sometimes even view the homes.

What next? Where are the offers? When prices are too high, the end result is either no offers or what are called "low ball" offers. The seller gets upset and discouraged. After a few months of trying this they list with a real estate agent. Now where are the buyers? What the seller often fails to realize is that buyers who are "in the market" have already ruled the house out and don't even bother to find out the price. The house has become "shopworn." That seller may have already missed the best buyer while the house was unrealistically priced. Pricing and the "first impression" are the two most important factors in getting a home sold. If you have already damaged those two factors, you have most likely damaged your opportunity to get the best price.

Economic times have left many home sellers in tough situations due to declining prices, job loss and difficulty with buyers qualifying for loans. This can drive the local inventory of homes up driving prices down further.

So how do you cope with these difficulties if you really do need to sell your home? If you are "underwater" you need to hire a REALTOR® with short sale training to help you move as quickly as possible to avoid foreclosure. These can be difficult sales that require a lot of patience. Don't wait until the last minute. You cannot control the economy but you can prepare yourself and your home. Your house is a contestant in a beauty contest in your price range. Following are some ideas but you know the saying, "I could write a book..."

1. Hire a real estate licensee with access to the LOCAL MLS to do a market analysis and/or to list the home. Then price it right from the beginning. (Don't go fishing for foolish buyers. They aren't there in this kind of a market; even in the good pocket areas.)

2. Make the outside of your home as presentable as possible (groomed lawn, trimmed trees and shrubs, no clunkers or garbage showing, etc.)

3. Empty out your closets of what has accumulated in them. Remove excess furnishings and personal treasures that are clutter to other people. (I remember showing a home one time that had a hutch full of beautiful Hummels and the buyer said, "Look at all this little junk!" Little did he know the collection was worth several thousand dollars.)

4. Scrub bathrooms meticulously. (Hang some new-towels too, then don't use them!)

5. Clean every window inside and out and open all curtains to let light in.

6. Remove wires or anything someone could trip over. (Scatter rugs distract.)

7. Remove pets, litter boxes and odors an hour before showings. (Open some windows.)

8. Do something to make the house smell like vanilla or cinnamon as they generate the best feelings. (Baking cinnamon rolls is good; invite Me over, too!)

9. Stage main rooms to look clean and welcoming. (Ask a friend if it looks clean; You can't see your own messes sometimes. Magazines can make a room smell like ink.)

10. Don't be there when buyers are looking; this intimidates them. Have your agent with them. (Also keep valuables hidden, locked or with you.)

11. When you receive that first offer, treasure it, study it. Don't blow it off, as it is often the best one you will have. Even if it is low enough to feel like an insult at least counter-offer.

12. If you are "underwater," have your agent take ALL offers to your lender. (Sometimes lenders will only consider one at a time.) You do not need an asset manager

to get in between your lender and you. You only need a trained shortsale real estate agent. The majority of REALTORS® who belong to the Northwest Montana Association of REALTORS® have completed their short sale training or have one in their firm who can assist. (Avoid fraudulent property flippers who may make you an offer if you sign some "simple paperwork" so that they can "help you out." Most of the time they are only helping themselves to one of your potential buyers, and at a higher price so that they can pocket the difference. How about you or your lender pocket it instead? I probably made some people mad at me now.)

This August I will be retiring as CEO of NMAR and the NMAR, MLS. This is most likely my last article for the annual American Home Week flyer, so let me take this opportunity to tell you that I am familiar with several markets and groups of REALTORS® around the country and the people of Flathead and Lake Counties are lucky because you have a group of REALTORS® who have a much higher standard of practice than the norm. Use their talents and enjoy the end results. If you run into concerns NMAR can often help resolve issues. We are here to serve both our members and the public. Have a great summer and enjoy our many open houses! Good luck and remember to call a real REALTOR®. You can find them on our Web site, www.nmar.com.