

# The Chairman's Report

A Message from Lawrence F. Flick, IV, Chairman and Chief Executive Officer  
Prudential Fox & Roach, REALTORS® and The Trident Group



WINTER/SPRING 2010

“I was seldom able  
to see an opportunity  
until it had ceased to be one.”

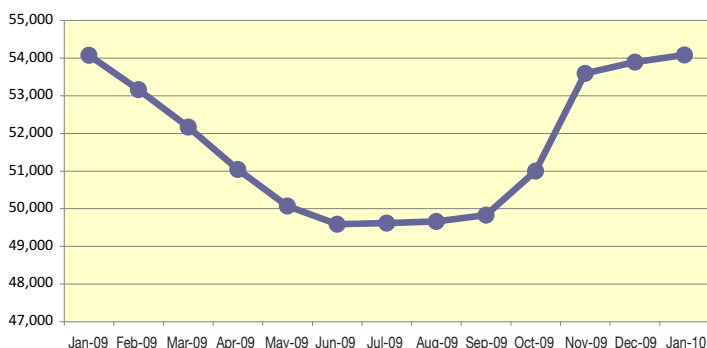
—Mark Twain

Perhaps Mr. Twain had his back to the window – the window of opportunity, that is. If he were alive today, wanting to buy or sell a home, would he see the window of opportunity open wide before him? Or would he make the mistake of overlooking it until it ceased to be one?



For the past several years, many people have put their lives on hold. But if circumstances in your life suggest that it's time for a new home, then the time to act is now. I've said this before, yet it's worth noting again – the sun is shining on our real estate market. The chart below illustrates that the bottom of the market was June 2009. From July through December 2009, the number of closed sales in our area rose 16% compared to the same period of 2008. There hasn't been a better time to make a move in over a decade.

**Prudential Fox & Roach Market Area  
Rolling 12 Months Sales 2009 – 2010**



Source: Trend MLS Pending Sales (properties under agreement)

Four key factors have combined to create these favorable conditions:

**Affordability** – The rapid price appreciation from 2003 through 2006 was unsustainable. Prices rose so quickly that many buyers were simply forced out of the market.

However, in the past two years, home prices across our area have adjusted. Houses are now more affordable than they have been in years.

**Selection of homes** – We've been in a buyer's market. Supply exceeds demand resulting in a great selection of homes for sale. And unlike the frenzied days of the past market, buyers today generally have more time to make a decision. But this is not always the case. There are properties coming on the market priced right and in great condition, so it's not unusual for them to receive multiple offers and sell right away.

**Interest rates** – Mortgage interest rates are at historic lows. As the Fed works to fight the recession, the fed funds rate has been cut to extremely low levels. As a result, mortgage interest rates are at historic lows. Low rates allow buyers to purchase more for their money, since their monthly payments will be less for the same amount of money borrowed.



**Prudential**  
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REALTORS®



**The Trident  
Group**

# I truly believe that for those whose life circumstances warrant a **MOVE**, the time to **act** is **NOW**.

**Tax credit** – The home buyer tax credit jumpstarted the real estate market last fall. Moody's economy.com estimates that 300,000 to 400,000 additional first-time buyers used the credit this past fall. Now that Congress has extended the credit for first-time buyers and added a credit for current homeowners who purchase a home, this wave of activity should continue. First-time buyers (defined as those who haven't owned a house in the past three years) are eligible to receive up to an \$8,000 credit. Current homeowners (those who have lived in their house for three of the last five years) can receive up to \$6,500. These credits go a long way toward reimbursing the costs involved with buying and moving to a new home. To take advantage of the credit, an agreement of sale must be finalized by April 30, 2010 and closing must occur before June 30, 2010.

## **The window will close.**

As Mark Twain so eloquently noted, opportunities do not last forever. The window of opportunity to buy a home under the favorable conditions I described above will also cease to exist. The opportunity won't end with the conclusion of the tax credit but will continue on for most of this year. Then it will begin to gradually close when the following forces take hold:

**Demand will begin to equal supply** – Since July 2009, the inventory of homes for sale has been steadily decreasing. As more homes sell, demand and supply will balance. When this occurs, the selection of homes for sale will decrease, making the purchase of a home more stressful as more buyers compete for the best on the market. And, as in any situation where demand and supply are in balance, prices will again begin to rise.

**Mortgage interest rates will rise** – The economy will continue to grow, and when the Fed feels secure that the recovery is sustainable, they will begin to raise the fed funds rate. When this happens, mortgage interest rates will begin to rise, most likely to 6% or more. While this is still a great rate, borrowers will get less home for the same monthly payment.

## **The window is open for home sellers, too.**

If you need to sell your home in order to purchase a new one, you are probably thinking, "This sounds great for buyers, but what about me? Isn't this a terrible time to sell a home?" The window of opportunity is also open for sellers! There are more buyers looking for houses now than in the past three years.

On average, prices have declined in some areas anywhere from 9% to 13% since the 2005/2006 peak, but from 2002 through 2009, median sales price in our area has increased by as much as 35%. For most sellers, their house remains the best investment ever made. Sellers need to move forward in their thinking and not dwell on what prices used to be at the peak. Those who accept the reality of our current market will benefit; those who do not could miss great opportunities. If the time is right for a move, it doesn't make sense to wait until prices begin to rise again.

To gain perspective on this, consider that when moving to a more expensive home, any reduction in value on your present home will be compensated for by a greater reduction in value of the more expensive home. On the other hand, if you are adjusting your lifestyle and want

to purchase a less expensive property, any potential future gain in sales price could be offset by an increase in mortgage rates on the property you will purchase.

When you do decide to put your home on the market, a buyer's first impression is critical. Remember that you don't get a second chance to make a great first impression! Too often sellers are emotionally attached to their homes and cannot see the limitations that

potential buyers do. Your Prudential Fox & Roach sales associate will add value to your home by making recommendations that will freshen and update your home so it is immediately appealing to prospective buyers. Pre-inspecting your house also allows serious buyers to know what issues may come up in a home inspection. This will eliminate a lot of the stress and renegotiations that can occur after an agreement is written and buyers conduct their inspections.

A Prudential Fox & Roach sales associate will also create a targeted marketing plan that uses both traditional and on-line methods. Since the majority of buyers start their search on-line, maximum exposure there is crucial. Then our highly experienced sales associates will guide you through the negotiation and settlement process, giving you the best possible home selling experience as you move to the next stage of your life.



## Is the time right for you?

If you have put your housing desires on hold, now is the time to turn and see the opportunity before you while it exists. To get started, contact your Prudential Fox & Roach real estate professional. They have the most powerful tools, the best resources, and the expertise to help you take advantage of this market. At the same time, apply for mortgage pre-approval. Being

pre-approved will give you additional clout with sellers and prevent the frustration that occurs when obtaining a mortgage after purchasing the home of your dreams. Your Trident Mortgage loan consultant will ensure that you get a mortgage you can afford and that funds will be at the closing table when you expect them.

I truly believe that for those whose life circumstances warrant a move, the time to act is now. Those who do not will look back a year from now and realize they missed a golden opportunity.

A handwritten signature in black ink that reads "Lawrence F. Flick, IV".

Lawrence F. Flick, IV  
Chairman and Chief Executive Officer  
Prudential Fox & Roach, Realtors® and The Trident Group

Those who do **NOT** will look back a year from now and realize they missed a golden opportunity.

## AN INDEPENDENT VIEW



*Joel L. Naroff, Ph.D., is the President and founder of Naroff Economic Advisors. He is a consultant to Prudential Fox & Roach, Realtors and The Trident Group. A nationally recognized economic forecasting expert, Joel was awarded the Lawrence Klein*

*Award for Blue Chip forecasting excellence and was the Bloomberg Business News top economic forecaster in 2008. In 2007, he received the National Association of Business Economists Outlook Award and was named the top economic forecaster by MSNBC in 2006.*

The economy grew at a robust pace at the end of 2009 and it appears that the longest recession since the end of the Great Depression is finally over. However, it is not clear that we will be able to sustain the solid growth pace. High unemployment rates are still restraining consumer confidence, lagging earnings are keeping firms cautious and even the government has to slow the spending pace eventually. Meanwhile,

the Federal Reserve will start raising rates when it is no longer necessary that the extraordinary assistance given the economy is needed anymore. That could happen by the middle of the year. Thus, while the economy will continue to grow this year, it could be at a somewhat restrained pace.

The less than spectacular growth, however, may not be a major problem for the housing market. Sales and prices are firming in many areas and not even the ultimate end of the first-time buyers/long-time owners federal tax credit should stop that. Interestingly, even rising mortgage rates could help the market. Though increasing rates and rising demand might seem illogical, it is not: it can force buyers who are sitting on the fence to start making offers as they fear rates will get away from them. With demand growing, home prices should continue to firm, though don't expect any large increases. That too would be an incentive to make a move sooner rather than later. In short, the collapse in housing helped create the economic meltdown but now an improving sector will add to growth. That makes now a great time to get into the market.

