

# REAL ESTATE

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## THE REAL DEAL

### Real Estate News You Can Use

BY EVI COGHLAN



### The Myth of the Bad Market

These days most people – from those in my business, to our many local armchair experts, to mere interested observers – agree that the real estate market in Westport and Weston is not what it was two years ago.

And that is certainly true. Although statistics show that the average sale price has continued to rise in both towns, the number of transactions has gone down while inventory and market times have gone up. Those in the know understand that the statistical price increase has been driven by a disproportionate number of properties selling in higher-end price ranges, thus skewing the averages. Aside from the upper end, however, we've pretty much seen a flat or "sideways" market since the beginning of 2006. From where I sit, I don't see this situation changing anytime soon.

To me, this is not bad news. Compared to the gloom and doom being spouted by the national media, and the decreases seen in other parts of the country, Westport and Weston real estate has remained solid – as, historically, it always has.

Yet everywhere I go, what most people want to talk to me about is how bad the market is. This is an unfortunate myth which I find myself addressing on an almost daily basis. Unraveling the myth of the bad market requires a return to your high school economics curriculum. If you are up for that, by all means read on.

Real estate is a commodity, like pork bellies or gold or frozen orange juice concentrate. Its value fluctuates based on supply versus demand. Let's talk first

about demand. Most people – even many agents – don't understand that demand is constant. People are always being transferred, getting married/divorced, having babies, downsizing, retiring, going bankrupt – all the reasons why people move. You may hear "There are just no buyers out there," but it is simply not true. The buyer pool always remains the same.

However, in some markets – like the current one – buyers may choose not to act. They may stay put. They may rent instead of buy. They may go to another town. That's why some agents say the market is slow. Unfortunately, while this is "sort of" true, it misleads sellers into thinking there's nothing they can do to move their properties...and it creates frustration and a sense of powerlessness...and the myth of the bad market.

Now let's talk supply. Right now in Westport and Weston, supply significantly exceeds demand. Thus, even though local housing values have not declined, we are in a "depreciating" market in which the buyer has the advantage. (When demand exceeds supply, we are in an "appreciating" market, in which the seller has the advantage.)

Buyers are cocky right now and they are feeling their oats...looking for "steals." A few are finding them. But in general, buyers are just sitting tight and waiting to act until they perceive value.

This is where residential real estate differs from buying stocks or trading futures. Real estate is not a true commodity because there is an emotional component involved. When buyers see a house they like that is correctly priced, they have an immediate attitude shift from "What do you think the seller will take for this house?"...to "What can I do to lock this house up before someone else does?" I'm talking about high-powered people who hardball negotiate all day long at their jobs, turning into whimpering puppies who instruct me to do what-

ever it takes so they don't lose out on a house they want.

Sellers have a hard time believing that this happens, but I see it all the time. Last month there were multiple offers on a well-priced house on Rainey Lane in Westport. Two weeks ago the same thing happened on Nappa Drive. Last weekend there were people fighting over a house on Tower Ridge. Yes, even in the current "bad" market.

When a fairly-priced house comes on the market, buyers see the value. As in the preceding examples, many times more than one buyer sees it. When this happens, the house usually sells very quickly, most often over asking price...proving that the current "bad" market truly is a myth.

If you have a property that you really want to sell, traditional approaches to pricing will not bring you the results that you desire – and that you can achieve – in the current market. There is no need to feel frustrated or powerless. Just ask your high school economics teacher.

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