

REAL ESTATE

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THE REAL DEAL

Real Estate News You Can Use

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The Top Trends of 2008

2008 was a tough year in local real estate. It started out well enough and, as I sit here on January 6 looking at preliminary stats, it appears that values – at least in Westport – remained steady, with the average transaction at \$1.704 million, up three-tenths of a percent versus \$1.699 million in 2007.

However, beginning with the Bear Stearns announcement in mid-March and ending with the fourth quarter Wall Street crisis, the year was a real nail biter. In this spirit I offer a recap of the top ten trends I observed in 2008.

- **Trend #1: Market slowdown.** Around April 1 buyers started to get squirrely, in response to the media's ongoing gloom and doom reports and forecasts of inevitably declining real estate values. Since values had not slipped here, many buyers opted not to buy. Instead they stood back, waiting for values to fall. The significant number of buyers who did this caused transactions to decrease by 34% in Westport (only 272 in 2008 versus 408 in 2007). The market hasn't been this slow since the early 1990's.
- **Trend #2: Resurgence in renting.** So, where did these buyers go? While some stayed put, many entered the rental market. Despite record high rents and no tax deduction in sight, rentals were more active in 2008 than any time in recent memory. Tenants were willing to pay top dollar, betting the local housing market will crash before their leases are up. And there were plenty of landlords, too, whose houses failed to sell and became rental properties instead.
- **Trend #3: Lowball offers.** Buyers became bold last year, offering 10-25% under list price. Needless to say, most of

these offers didn't fly. But buyers were undeterred, some lowballing property after property to see if anyone would bite. In a very few distress situations, someone did. But this was not the norm.

- **Trend #4: Foreclosure fantasies.** The media led buyers to believe they could steal a house at auction for a fraction of its value. Imagine their surprise when only a few houses in Westport went into foreclosure – and the highest bids at auction failed to meet the bank's minimum. As a result, the houses sat for months (if not a year) until the bank took ownership and reduced the price. Unfortunately, by this time many properties were stripped clean of fixtures, or went for long periods without maintenance.
- **Trend #5: "Possible short sales."** These words flagged properties with mortgage amounts close to or more than the likely sale price. This is a difficult situation for everyone, usually including two lenders who must evaluate all offers submitted. It's difficult for the owner, who is financially stressed but has no control of the process. It's difficult for the would-be buyer because the property is buried in bureaucracy. And it's difficult for the agents, who may not get paid. As a result, there are few bargains here and most "possible short sale" properties are tough to sell.
- **Trend #6: Buyer-seller standoffs.** I have never seen as many negotiations break down as I did last year, as buyers and sellers held their collective breaths and waited for the other side to cry uncle. Deal after deal failed to come together. Buyers walked away. Some sellers eventually accepted offers lower than ones they'd rejected months earlier.
- **Trend #7: Multiple offers.** Despite all of the preceding, irresistibly-priced properties continued to fly off the market in 2008, sometimes receiving more than one offer. Which, of course, is counterintuitive in what everyone agrees is a buyer's market. But it does restore confidence in

the free market economy.

- **Trend #8: Return of the mortgage contingency.** Local agents were spoiled in recent years as "no mortgage contingency" deals became the norm in Westport. This meant that deals made with qualified buyers were solid when contracts were signed, with buyers waiving mortgage contingencies because were positive they could obtain financing. Starting last year, however, even the most qualified buyers were reluctant to waive these as lenders put them through one hoop after another before committing to their loans. Which means that sellers couldn't count on such deals being safe, sometimes even 21-30 days after signed contracts.
 - **Trend #9: Cyber house hunting.** The importance of the Internet in buying and selling real estate continued to rise, with over 80% of buyers searching online. The Internet has changed the face of real estate. Despite this, most properties are not well marketed online. When interviewing listing agents, ask them to demonstrate their online marketing credentials.
 - **Trend #10: Realtor roulette.** Check your scorecard, folks. This was the year of agents changing companies and many leaving the business. If you haven't talked with your agent for a while, you may need to call 411.
- Despite everything that's happened, local real estate values have fared remarkably well. With supply continuing to exceed demand and mortgage rates at record lows, now is a great time to buy your dream home in Westport, CT.
- Here's to a prosperous 2009.
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