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## **An open letter to the R. E. industry in Massachusetts**

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An open letter to the real estate industry in Massachusetts and an answer to a negative article presented in a major Boston publication.

I know that many of you must have been offended, as I was when you read an opinion piece written in a recent edition of a large Boston newspaper. In my opinion this column was nothing short of an open attack on the real estate industry and deserves a response.

First, a reply to the column, which I think did the readers a great disservice.

The information that we as an industry have presented to the public recently to which the newspaper author objects is: 'It's a buyer's market.' My years of experience tell me that 'this is the best market in years in terms of choice,' and, 'It's a great time to be a homebuyer in 2008'; all of these statements are substantiated by facts. While it is true that all real estate is local, and some communities such as Andover and Westford have continued to see increases in home prices, homebuyers in Mass. are currently in the best position they've enjoyed in many years.

As part of the newspaper's criticism of Realtor optimism that it's always a good time to buy, the author cites the homebuyer who, in 1997 could buy a house in the western suburbs for half its current price. Is he saying that it wasn't a good time to buy in 1997 if the price of the home doubled in 10 years? Real estate is a long term investment, and people who bought in past market downturns have profited handsomely when markets improved. There is no doubt that we've recently seen decreases in home prices from historic and unsustainable highs that occurred because of artificially priced mortgage money from Wall St. It simply makes sense to take advantage of the situation and purchase a home now if you can afford to. For most people, homeownership provides the best long-term investment possible, valuable tax breaks, a place to live, and a stake in their communities.

The newspaper author also infers that real estate agents share the blame for the foreclosure crisis and don't provide reliable analysis about markets. First, real estate agents do not qualify buyers for mortgages, nor do they write mortgage loans. Additionally, the Realtor organization has advocated for mortgage reforms and more responsible lending practices for years and continues to do so. Irresponsible lending by Wall St caused the current foreclosure problems. Not by your local Realtor. As a Realtor for over 25 years, I have provided clients and customers the best and most informed advice possible, and I know that other Realtors do the same. In many cases, that advice has included 'this property is priced too high' and 'this isn't a good time to put your home on the market,' etc. To suggest that Realtors don't provide this type of advice is nonsensical.

Are we, as an industry, optimistic? Sure we are; why wouldn't we be? We sell the best product in the world — ownership of real property in the United States of America. And right now, it's an exceptionally great time to be a buyer.

The newspaper author wrote: "Now is not a great time to buy. Most housing analysts believe that prices will keep falling through 2008."

What the newspaper author fails to recognize is that all real estate is local, and every market is different. Making such a statement is analogous to making a national weather forecast. Is it likely that prices will fall in 2008 in Las Vegas and Southern Florida? Probably; the markets in those areas are extremely overbuilt and face pricing pressure from bank foreclosures. Is it likely that prices will fall in Andover or Westford? I doubt it; there is virtually no new construction, very few foreclosures and a tight supply of available homes. Median prices in those communities and many others in Mass. rose in 2007 because of these underlying economic conditions, and those trends continue in 2008.

Even in places where prices may fall in the future, it still may be a great time to buy as long as you recognize market conditions and have the advice of a real estate professional to guide you. Just as Economics 101 taught us to "buy low and sell high," it also taught us that trying to time the bottom of a market is an exercise in futility.

The newspaper author said: "Buying now is a choice that you should make despite the condition of the market, not because of it." We do not, as an industry, suggest people should buy a home they cannot afford; but the basic economic reality is that for many people, it makes sense to take advantage of current market conditions and the opportunities that exist today that have not existed in many years. When the market does turn in a positive direction, as it surely will, Mass. will face a housing shortage, putting upward pressure on prices. For many people, it does make sense to buy right now because of market conditions; it's a buyer's market. There is a large selection of available homes, prices have declined from historic highs, sellers are negotiating, builders are offering previously unheard of concessions, and interest rates for qualified buyers remain near historic 40-year lows.

The market is especially favorable for first time buyers who don't have a property to sell, and despite all the negative news about the mortgage industry, there is a ready supply of available mortgage money at terrific fixed rates available to credit-worthy borrowers. Waiting on the sidelines could easily end up costing a buyer significantly.

Despite the tsunami of negative news being reported nationally about the housing market, our local market is holding up fairly well. While the inventory of homes for sale has increased over the white-hot market of a few years back, the rate of increase has slowed, and the number of single family homes on the market in our area now is about the same as it was a year ago, and the number of permits for construction of homes has declined substantially, further bringing supply and demand back into balance.

We've also seen some excellent news from Washington D.C. of late. The new mortgage loan limits for FHA and GSEs (Fannie Mae/Freddie Mac) loans have now taken effect, and have the potential to bring much needed liquidity and more buyers to the market. In high-cost states like Mass., homebuyers with good credit will save up to \$5,000 a year by not being forced into a jumbo mortgage as a result of increases in conforming loan limits.

The Wall Street Journal recently reported, "Existing-home sales climbed for the first time in seven months during February as buyers took advantage of sharply falling prices." The article went on to say, "Regionally, existing-home sales in February rose 2.5% in the Midwest, 11.3% in the Northeast, and 2.1% in the South. Demand fell 1.1% in the West."

Real estate has historically been and remains an excellent long-term investment. According to the Federal Reserve, the median net worth of an American homeowner now exceeds \$170,000, while the median net worth of a renter is less than \$5,000. Homeownership represents the best investment available to the average person in this country, and it's a great time to be a buyer in today's market.

It is too bad that the media believes that only negative news sells their product.

Dennis Page is the president of the Northeast Association of Realtors, Chelmsford, Mass. and does residential sales/development at Re/MAX Prestige in Tyngsboro, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540