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Through the Garden Gate
Our Home and Garden Issue



Time to **Buy** or Time to **Sell**?
The new landscape of Golden Isles real estate

By J.M. Lacey

As the economy worsens and the number of unemployed Americans steadily increases, the trickling stream of worrisome events seems unending. To some, the real estate market may seem bleak. To others, it's an investment worth the risk as they wait for the economy to improve. Just how has the real estate market fared in the Golden Isles?

The U.S. Census Bureau published a joint release with the U.S. Department of Housing and Urban Development in December, with results of one-family home sales in November of 2008. Sales fell 2.9 percent from October estimates and fell 35.3 percent from November of 2007. The National Association of Realtors says that in November, existing home sales fell 8.6 percent nationally.

Matt Vigh, managing broker with Coldwell Banker, says that November was one of the worst months the real estate market has faced in 20 years.

"A lot of commercial lots were bought speculatively, so there's quite a bit of inventory that is available right now. And unfortunately, with the economy the way that it is ... people aren't as ready to stick their neck out there as they would be if their confidence was a little bit higher," Vigh says. He adds that investors were banking on a return with commercial properties.

Bill Townsend, residential lending consultant for the last 23 years and owner of Cornerstone Home Lending, says that the No Doc, Stated Income, Interest-Only and Option Arms were created by mortgage lenders and purchased by Wall Street investors in an effort to provide affordable home ownership for all. The mortgage industry provided loans to people "who had no business buying, with no ability to repay the loans." Townsend listed a number of factors, including people overstating their income; being misled



by an unscrupulous loan officer; and assuming income would increase as mortgage payments rose, resulting in a "huge disaster for all of these new homeowners." He added that "many of them got into their homes with no down payment, making it way too easy to walk away and let the bank take their homes."

Townsend and other Realtors agree that foreclosures contribute to declining neighborhoods and lower home values. "Once the bank takes over the property, it's probable that the bank will take a below-market offer on the property in order to get it off the books," Townsend says. He also says that this affects customers who want to refinance their home, since in many cases the appraised value falls below the value the homeowner needs to support the refinance.

Broker Ronnie Perry of Ronnie Perry Realty agrees. "You may have paid \$400,000 for your house, but the bank just sold your neighbor's house

for \$310,000," resulting in a drop in property value. He adds that this area has been hit hard with foreclosures. And no one is immune. From the beginning home buyer to the multi-million dollar properties, he says they have all faced foreclosures.

Banks and mortgage investors have since tightened their lending standards in order to sell closed loan packages in the secondary market. Townsend says that well-qualified buyers can still obtain financing, but more documentation is required than was the case one to five years ago.

Realtors in the Golden Isles remain optimistic about the real estate market. Broker Pat Hodnett Cooper with Hodnett Cooper Real Estate says that people are still purchasing vacation homes with the expectation of rising prices as market conditions reverse.

"Many people believe real estate is the best way to recoup losses incurred in the stock market," she adds. "The key is choosing property in an area where market conditions like job and income growth, population in-migration, and demographics indicate increased demand." Cooper says the coastal area of Georgia is popular, which will help the area to recover quickly and escalate more sharply than other areas.

However, Perry says "there is no market for buying second homes right now." He adds that the condominium market is struggling.

According to the Golden Isles Association of Realtors Residential Market Trend Report, condominium sales totaled \$44,397,516 from January to November of 2008. Compare that figure to two years ago from January to December of 2006, when total sales were \$118,899,872. The 2008 figure compared to 2003 shows a 50 percent drop.



Lynwood Collins, chief appraiser with Collins and Associates, says that for many years the value of property moved steadily upward, about 10 percent every year. Now, property value has declined. Perry remains optimistic and says that the Brunswick area has been doing well.

"[Brunswick] has not been hit as bad as the island. The property values on the mainland were not as high as the island, so you didn't have that great a swing," he says.

Realtors agree that now is not the time to sell a home. Because of declining values and the fact that some sellers bought their homes with nothing down, Townsend warns "they may not be able to afford to sell their home at this time." Collins says appraisal values are changing because there is more supply and not enough demand.

"The amount of dollars alone on a piece of property has absolutely zero to do with market value," he says.

This can create a trying situation for those forced to sell when they owe money on their property and the sale price won't allow them to pay off their loan.

For homeowners who have no option and need to sell their property, the agents offer some suggestions.

Talk to an experienced agent

"We take our client relationships very seriously," says Vigh. He stressed the importance of giving his best advice to the client. Vigh suggests sticking to the right broker depending on your needs. If you need to sell commercial property, talk to a broker who specializes in commercial real estate. And for selling residential, talk with a broker who specializes in residential real estate.

Be realistic

"If they're one of these people that truly has to sell, then they have to

understand the market and they have to understand that their house might be the nicest house, but there are 10 others just like it for somebody to choose from," says Perry.

"Price it right when you list," adds Cooper. "If you price too high, your property won't be shown. Think of your property as a commodity that must compete for attention against other alternatives. The more competitive your property, the more likely it will sell." Contact a full-time real estate appraiser to know what your property is worth.

"Most people understand that their [property] values have gone down," Collins says. "We're not doing anyone

"You may have paid \$400,000 for your house, but the bank just sold your neighbor's house for \$310,000."



any favors unless we tell them what the market value of their house is. You don't need to have a false impression of what it's worth."

Appearance

"Curb appeal with commercial property is just like it is with residential," says Vigh. The difference, he adds, is the numbers. With commercial property, curb appeal will enhance the value, but people aren't necessarily going to pay more money for the appeal. "It's all about numbers in commercial. It's all about emotion in residential." And while residential is considered a lifestyle, commercial is about visibility and location.

Vigh suggests making sure the landscaping is done well, the sidewalks are washed and the windows are clean. "Those little things make a big difference because it shows the buyer you've taken care of the property."

Cooper says for residential property, repair all defects and cosmetic items listed in your inspection. And she adds: "Clean, clean, clean! Remove clutter inside and out. Because buyers have plenty of choices, condition is a high priority."

A buyer's market

With a large amount of inventory and low-interest rates, Realtors agree that now is the time to buy.

"For someone who wants to buy a home," says Perry, "it will never be better." For home buyers, he does caution people not to buy more than they can afford.

"Just like with stocks, you can't time the [market]" says Vigh. "If it's a buyer's market, that certainly doesn't mean to sit on your hands and wait for the perfect deal." What it does mean is that there is more leverage and flexibility with negotiating than in the past.

Vigh says the market is moving in a better direction since November and adds that real estate is a good long-term investment.

Townsend says that a "great loan for first-time buyers" is the Federal Housing Administration (FHA), a federal government-insured loan requiring a 3.5 percent down payment, any portion of which can be used as a gift.

"Mortgage lenders do have money to lend at very attractive rates," says Townsend, "but our new guidelines, as well as the foreclosures and lower housing values, are making it very

difficult to reduce the overloaded inventory of homes for sale in our area and across the country."

The stimulus package may not be THE answer, Townsend says, but if it "can be used to lower the principal balance on loans that are currently 'upside down,' homeowners can afford to stay in their homes, or at least be able to sell and pay off the lender." ■

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