

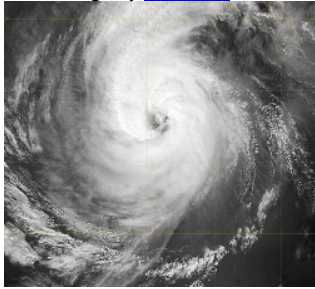
# Real estate's perfect storm?

## Part 1: Navigating today's market

BY [BERNICE ROSS](#), MONDAY, JUNE 8, 2009.

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*Editor's note: This is Part 1 of a two-part series.*

This year's National Association of Realtors midyear conference was packed with information that can help your business. Today's column covers some important highlights.

### 1. The perfect storm

Robert Sibcy of Sibcy Cline Realtors argued that we are in the exact opposite of the "perfect storm" for real estate. Sibcy contends that now is absolutely the best time ever to purchase real estate. Consumer confidence is increasing, the housing affordability index is the best it has been in 40 years, and interest rates are hovering around 5 percent.

In terms of interest rates, virtually all of the speakers predicted that interest rates would be increasing soon. President Obama has warned of [skyrocketing interest rates](#) as well if the U.S. continues to finance government by borrowing from other countries.

The bottom line is that if rates increase, affordability goes down.

#### Action steps for your business:

Get buyers off the fence and under contract. Use your marketing materials to let potential clients know that now is the best time ever to buy. Even if prices drop further, show buyers how an increase in interest rates can easily wipe out any savings they would have experienced by waiting.

For example, on a \$200,000 loan, an interest-rate increase from 6 percent to 7 percent will result in an additional \$47,340 in interest payments over the life of a 30-year loan. This means that a one-point interest-rate increase will cost the buyer an additional 23.7 percent in payments. If interest rates increased from 6 percent to 8 percent on a \$200,000 loan, the increase in interest would cost the buyer an additional \$96,620 over the life of the loan. In other words, the buyer would pay more than 48.3 percent of the loan amount in additional payments.

While prices may still be falling in some areas, in most places the amount of inventory is starting to shrink. As the inventory declines, prices will stabilize. The probability that prices will decline an additional 23.7 percent to 48.3 percent is highly unlikely. On the other hand, the probability that interest rates will increase appears to be quite high.

### 2. Market using what has sold

Stop sending out "Just Listed" cards that reinforce how much inventory is on the market. Instead, spend your marketing dollars on "Just Sold" cards. When consumers see that the inventory is selling, it increases consumer confidence. Former Realtor.com President Allan Dalton argued that agents should be concentrating on two primary market segments: first-time buyers that compose 60 percent of the market and investors that compose an additional 30 percent of the market. Among these buyers, approximately 50 to 60 percent of the buyers are looking for foreclosure property.

#### Action steps for your business:

If you want to increase your business, meet the needs of today's buyers, especially first-timers and investors. A tried-and-true strategy is to hold first-time-buyer seminars. You can do this live at your office or local board of Realtors. Invite a CPA or tax attorney to talk about the tax benefits of owning a home as opposed to renting. They can also discuss exactly how the \$8,000 tax credit works. Also have a mortgage professional explain the key differences between the various loan products and have a title officer explain title insurance and how the closing process works. Most importantly, end your session with the top 10 best buys in your area.

If you are technologically sophisticated, hold a webinar. The advantage of holding a webinar is that it can be available on your Web site 24-7, and potential buyers can listen in anonymously. If they want to receive your weekly list of "best buys," they have to register. The key again is to think "give-to-get." Provide service first if you want them to do business with you. To reach investors and those who are searching for bargains, set up a Web site such as [YourCityBestBuys.com](#) or [YourZipCodeBestBuys.com](#). Show them that you know where the bargains are. Provide your Web visitors with the REOs that are the best priced and in the best condition. If you are working with short sales, give priority to those where the bank has already set a potential sale price. Also, don't forget about regular sellers who have to sell. They allow buyers to purchase a house that is in good condition and that has not been trashed by the previous owner. In terms of investors, they are less concerned about the amenities of a property and are more focused on whether it "will pencil." This means that the property will generate enough revenue as a rental to cover the costs of the mortgage, taxes, insurance, upkeep and other related expenses. To serve this group, provide comparable sales data as well as comparable rent data so the investor can calculate potential cash flow.

Are you looking for more tips on how to build your business in today's tough market? See Part 2 of this series next week.

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