

THE SKY IS FALLING?

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The real estate market here is like New England weather – it's constantly changing and people are talking about it a lot. A few years ago, when there were more buyers than houses to buy, sellers were like kings, receiving multiple offers on their properties and bidding wars with generous purchase prices were practically the norm. The only people complaining about the Connecticut real estate market then were the unsuccessful buyers.

Now, however, the real estate market has changed from the heady, rapid-paced one of just a few years ago, and if you believe all that drama you hear on the evening news and read in national magazines, the real estate market is tanking and these are not happy times for property sellers who are all apparently in dire straits and headed for foreclosure in droves.

Well, in Connecticut, the sky is not falling. Real estate transactions continue, not at the break-neck speed we saw a few years ago, but at a more evenly measured tempo. There continues to be stiff competition among agents for buyers and sellers, houses are on the market longer than 2 weeks, and buyers have more choices without having to outbid other buyers and run up the price. Yes, the economy has slowed throughout the United States and we feel its impact here, but just because the real estate market is reported as "awful" in other states (or even just in certain areas in other states), does not mean it's dreadful here, too.

Connecticut is not dangling off the foreclosure precipice – we're not California or Florida or Ohio or Michigan or Nevada where there are record numbers of homeowners in foreclosure. In fact, according to the Clerk of the Court in the Hartford Judicial District, the number of foreclosures from all the judicial districts in Connecticut disposed March 2007 through March 2008 was *down* from those disposed March 2006 to March 2007.

Periodically we are pounded with economic doom and gloom reports that housing starts are waaaay down. That may be factually true, but can be horribly misleading as some towns may have a moratorium on building, may have no more land on which to build, either because there are just no more buildable lots and/or land is being preserved for open space or agricultural uses. A drop in housing starts does not automatically translate to a depressed real estate market.

Many sellers argue that if they sell their properties in this market they cannot get back the money they've put in. Well, sellers rarely recoup every penny they've spent on their properties at the time of resale. Sellers need to understand that, quite simply, *cost does not equal value*. A property's selling price is a function of the marketplace and what other comparable properties have sold for and is not determined by starting with the price one paid for the property then adding the cost of improvements and a real estate commission. Spending thousands of dollars improving a property does not guarantee an owner will recover dollar for dollar what he invested.

Sellers often need the money from the sale of their property to purchase another. The good news in this market is that while an owner's current house may sell for less than it would have a couple of years ago (thereby also paying less in conveyance tax and real estate commission), the property he is buying is being bought for a lower price than he would have paid for that same property a couple of years ago.

So, the media's blanket ooze that all sellers of real estate everywhere are in trouble on their loans and all housing starts have plummeted to historic lows should be tempered. Real estate is local – what's happening in the real estate market in other parts of the country is not automatically what's happening here. Yes, the real estate market has changed, but it's not dead and that's what the media should be talking about. The good news is that in Connecticut, our spring real estate market has seen an uptick in activity as there continues to be that marketplace trifecta of buyers who want and need to buy, sellers who want to sell, and low interest mortgage rates.

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