

# The Chairman's Report

A Message from Lawrence F. Flick, IV, Chairman and Chief Executive Officer  
Berkshire Hathaway HomeServices Fox & Roach, REALTORS®  
and The Trident Group



WINTER / SPRING 2014

## A CHANGE IN DIRECTION



**For the past two years everyone in our company has been busy...very busy. This follows several slow years, so the change of pace is most welcome!**

### **BOOM...BUST...BOOM... BACK TO NORMAL**

We are all familiar with the story of the real estate boom of the mid-2000's, when the market drove a record number of home sales and unsustainable double-digit price appreciation. Then came the 2008–2011 bust when home prices and sales fell and our nation floundered in recession.

As 2012 arrived it was clear a recovery was in progress. It seemed as if overnight we were propelled into another, though smaller, real estate boom. Residential real estate sales rose 15% in 2012 and another 15% in 2013. But since June 2013 the rate of sales increases has slowed from its 2012 pace. Is this something we should be concerned about?

Not at all! It's just been a while since we've had the steady activity of a normal market. One could say that the new normal is...*normal*.

### **PENT-UP DEMAND**

We all know of someone who experienced a major life event during the recession. In less stressful economic times their circumstances would have prompted them to buy a new home. But the uncertainty of the downturn caused them to take a step back to wait for better times. This dynamic resulted in a high level of pent-up demand.

Then as the economy improved many people felt more secure in their jobs. Real estate values had also stabilized, and they realized their wait to buy a new home was over. They bought houses...*a lot* of houses.

Now after two years of brisk activity much of this pent-up demand is satisfied. What remains is the normal market with normal activity that we see today. And that's not bad...it's just different from what we've grown accustomed to in recent years.

## FEWER HOUSES FOR SALE

A lack of good housing inventory is also contributing to this slower pace. In the past two years many houses that were on the market sold quickly and there haven't been sufficient new listings to replace them. I frequently hear from our sales associates that many of their clients are ready to buy, but they are waiting for the right home to come on the market. They want their purchase to be a long-term investment, so they're selecting homes they feel are properly priced and in excellent condition. Houses that show well and are priced right are selling quickly—in fact it's not unusual for these sellers to receive multiple offers. The exception to this is in the higher price range of \$1 million and above, where supply exceeds demand.

## SELLING A HOME

This demand for inventory is why home sellers are benefitting from the current market, especially if they

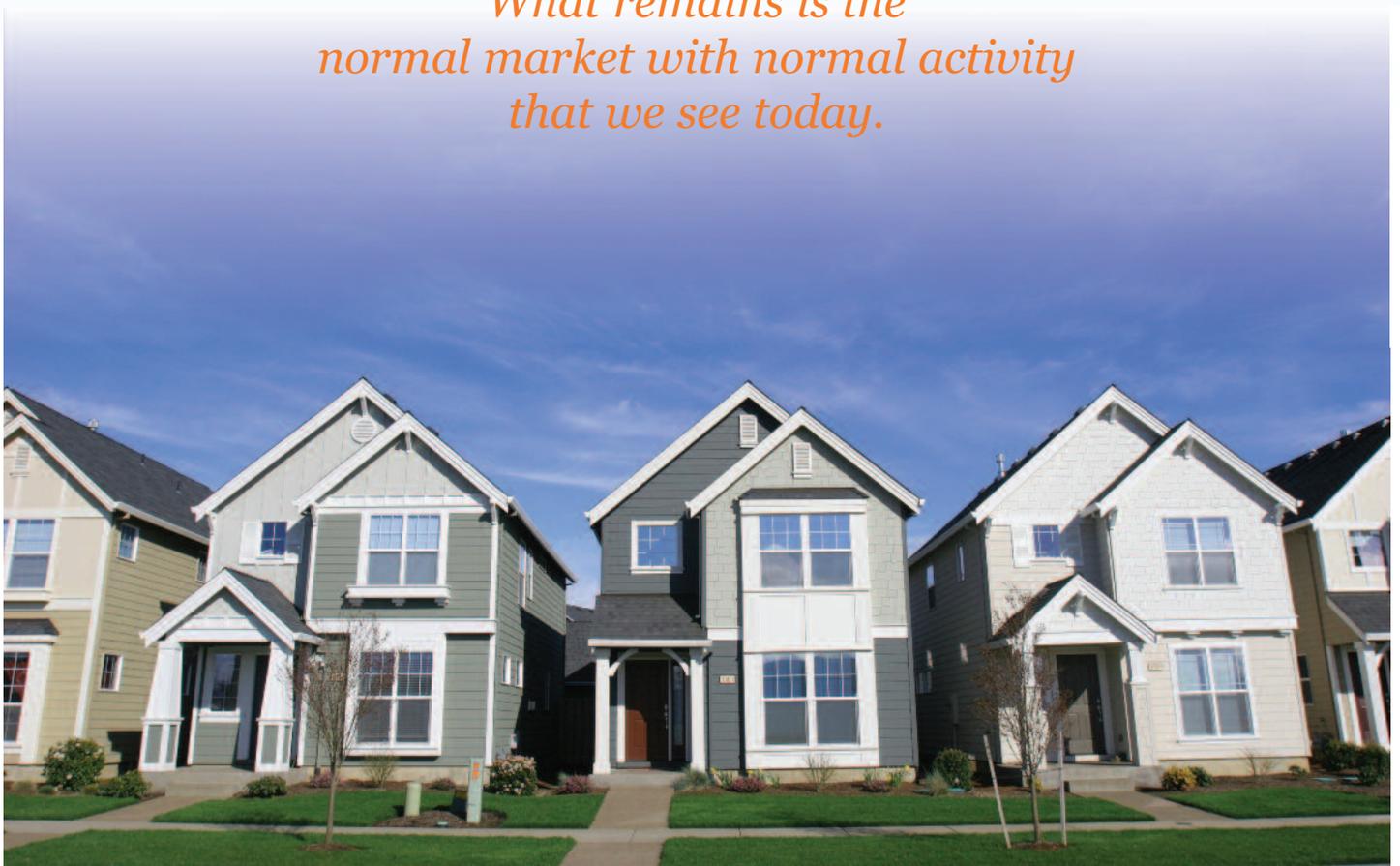
must sell a home in order to buy a new one.

Competitively-priced houses that show well are selling quickly, and we've had multiple offers on quite a few of them. To be successful at selling your house, here's what you need to know:

## Pricing

When you are considering a list price for your home, don't place too much weight on the Case Shiller Housing Price Index that is reported often in the press. The cities used in their housing price index are in the most severely affected markets—the ones that lost the most value—and many are now rising with double-digit appreciation. Our market did not suffer such declines and so appreciation here has been much more moderate and steady at 3% to 4% a year. That said, there are some pockets in our market where appreciation has been higher, some where prices are even, and others where prices are still down a bit.

*Now after two years of brisk activity  
much of this pent-up demand is satisfied.  
What remains is the  
normal market with normal activity  
that we see today.*





## QUALITY MORTGAGES AND DODD-FRANK

To prevent a recurrence of the mortgage lending problems that led to the real estate bust, legislation known as Dodd-Frank enacted new rules that took effect at the beginning of 2014. There is plenty of mortgage money available for qualified buyers, but the additional steps Dodd-Frank requires will make obtaining a mortgage commitment a lengthier process. So it is especially important to be prequalified for a mortgage at the start of your home search, and to allow sufficient time from purchase to closing. Though these new regulations make getting a mortgage a bit more complicated, it's important to remember that they are here to protect you and every consumer.

### Condition

In this last real estate boom, and in the continuing normal market, consumers' expectations have changed because the reality of the market has changed. There is no more aspirational buying, or buying to sell for quick profit. Consumers now look at their home as a long-term investment, one that will need to meet their needs for many years to come. They expect houses to be in move-in condition. The only way for sellers to compensate for outdated floor plans and styles, even if the home is in excellent condition, is by adjusting the price.

### BUYING A HOME

Are you still waiting in the wings or waiting for the right house to come on the market? You will get the best price and lowest interest rates *now*. As the economy improves two things will happen: housing prices and interest rates will rise. The Federal

Reserve has started to pull back on its policies of stimulating the economy by keeping interest rates artificially low. We are already beginning to see interest rates drift higher.

The market has changed direction. But that's no reason to be concerned. Rather, take advantage of this terrific moment in time and make your move while the market remains so favorable. This window of peak affordability will close, so please contact your BHHS Fox & Roach sales associate and Trident loan consultant today!

Lawrence F. Flick, IV  
Chairman and Chief Executive Officer  
Berkshire Hathaway HomeServices  
Fox & Roach, REALTORS® and The Trident Group

*...take advantage of this terrific moment in time  
and make your move  
while the market remains so favorable.*

**Have you seen our  
new cabernet colored signs?  
It seems that overnight our new  
Berkshire Hathaway HomeServices signs  
are everywhere!**

Fox & Roach and The Trident Group are a part of Warren Buffett's legendary Berkshire Hathaway — the world's most respected company. Consumers have been very positive about our association with Berkshire Hathaway and recognize how well its reputation for trust and integrity mirror our own Fox & Roach and Trident Group values. The name has changed, but the people and our core values remain the same. Your Fox & Roach sales associate and Trident Mortgage loan consultant are standing by to assist you.

