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Realtors pulling for spring market rebound
2009 Economic Outlook: Real Estate

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Residential and commercial real estate could begin to thaw this spring, although it will be a slow drip instead of a quick melt, according to Springfield real estate experts.

They say factors such as lower interest rates, soft home prices and President Barack Obama's recent stimulus plan should rouse the housing market, while tighter credit and the slow economy will hold back commercial development. Obama's American Recovery and Reinvestment Act provides an \$8,000 tax credit, available to first-time homebuyers, for the purchase of a principal residence between Jan. 1 and Dec. 1 this year. Repayment of the credit isn't required.

The bill also reinstates last year's 2008 loan limits for Federal Housing Administration, Freddie Mac and Fannie Mae loans, a move that will help reduce home inventory and improve liquidity in the mortgage market, said Charles McMillan, president of the National Association of Realtors, in a news release.

On the home front

Residential sales in the Springfield area dropped 23 percent to \$847.4 million in 2008, and average sale prices slipped just more than 5.5 percent to \$139,240 compared to 2007, according to the Greater Springfield Board of Realtors.

Despite the slide, local experts are optimistic for what 2009 holds.

"There has been a lot of discussion about the collapse of the housing marketing, but we don't think there was an industry collapse," said Miles Noennig, president of GSBOR and chief administrative officer at Carol Jones, Realtors. "What we have been going through is a correction."

He wouldn't discuss specific numbers, but Noennig said sales dropped a bit between December and January, though average sales prices showed improvement.

A recent entrant into the residential development arena is Kelby Creek, a 739-acre residential development in Nixa.

Lot prices at Kelby Creek start at \$39,900, and sales were opened to the public in February, though that wasn't the original timeline.

"We have held up on taking our project to market because of the economy and focused (instead) on construction and infrastructure work," said Shelley Forell, director of sales and marketing

Though none of Kelby Creek's 109 lots have yet been sold, "now with President Obama's plan in place, first-time homebuyers will also have a better chance," Forell added.

Many homeowners are taking advantage of the lower rates for refinancing.

"When you factor in inflation, prices are at historically low levels, and interest rates are at as low of levels as most people can remember in their lifetimes," Noennig said.

For home purchases, lower interest rates on traditional, conforming loans are useful to people who have the means and a credit score above 740. As of Feb. 23, 30-year fixed-rate mortgages were at 5.21 percent, according to Bankrate.com. Buyers who lack the 10 percent down payments needed for such loans, however, should consider FHA loans if the home to be purchased is valued at less than \$271,000, according to Lisa Traulsen of U.S. Bank.

"People don't realize that FHA loans are not just for first-time homebuyers," said Traulsen, a mortgage loan officer. "I have lawyers and doctors using these loans on homes up to \$271,000, which is quite a bit of house in this market."

FHA loans are offered with a 30-year fixed interest rate, require a 3.5 percent down payment, and, in some cases, can be used with credit scores below 600, though that would affect the interest rate.

"Many parents are using these loans to purchase homes for college-age kids who don't have income or a long credit history," Traulsen noted.

Commercial activity

Given the freeze in commercial credit, investment activity in commercial real estate sectors has slowed nationally, while continuing job losses are reducing the demand for

space, according to NAR Chief Economist Lawrence Yun and confirmed by Ken Schwab, agent and manager of Wilhoit Properties in Springfield.

"To a degree, a lot of small-business growth has been curtailed, so that has had an effect on businesses entering leases in strip and shopping centers," Schwab said.

On the flip side, he said, people who don't like what they are seeing in their stock portfolios are looking at real estate to get a better return on their investments. Businesses are still showing interest in downtown properties, particularly at College Station and near the Jordan Valley Innovation Center, though it has slowed, said Rusty Worley, executive director of the Urban Districts Alliance.

He said UDA is trying to attract lessees for corporate office and retail space.

"We just want to help our businesses during the next 12 to 36 months retain their market share and do some long-term planning for when the economy gains some traction," Worley added.

A commercial slowdown isn't limited to downtown, though.

"I am seeing a lot of activity and energy put into deals, but I'm not seeing a lot of deals come into fruition," said Rob Murray III, vice president of R.B. Murray Co.

"We are seeing higher activity than the fourth quarter of '08, but we are seeing people slow to make decisions to buy or lease property."

Murray has three building pads available for sale in his Leadership in Energy and Environmental Design-certified TerraGreen office park complex in south Springfield. He anticipates selling them by the end of the year because of the growing green-building trend.

Interest in sustainable building also could get a boost from the stimulus package, which includes provisions for green building and energy efficiency, as well as business tax incentives. The bill provides significant funds for state energy programs, which could be used to support commercial property owners' investments in efficiency upgrades.