

Real Estate Report

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Signs of New Life in Triangle Residential and Commercial Real Estate

By Rick Smith

With interest rates at near-record lows and incentives such as a federal \$8000 tax credit available for first-time home buyers, the Triangle area real estate market is showing signs of a rebound.

“You expect someone in residential real estate sales to say, ‘It’s a great time to buy a home,’ but the fact of the matter — it is,” said Lanse Houston of Prudential York Simpson Underwood Realty.

“Inventories are high in almost all price ranges, sellers have been coached by realtors to be conservative in their home pricing and interest rates are low. If a home buyer feels secure about their job and is financially qualified, it’s better than a great time to buy a home.”

Throughout a series of interviews with realtors at both residential and commercial firms, the same message was delivered loudly and clearly to Metro Magazine: Business is stirring after sharp declines in 2008 and the opening quarter of this year.

Data for May from the Raleigh Regional Association of Realtors show that pending sales, showings, monthly closings and average resale prices were the highest in six months. Meanwhile, the number of expired listings fell to the lowest totals seen in the same time period.

Statistics also showed some stabilization in home values.

Triangle Multiple Listing Service confirmed 1623 closings in the area at an average price of \$234,900. Homes were on the market an average of 99 days before closing.

The average listing price of \$338,100 is flat compared to 2008.

May data was not yet available from the North Carolina Association of Realtors, but Triangle-area closings increased from 956 in February to 1530 in March to 1623 in April. Average sale prices were down 9 percent from April 2008 to \$207,562.

Asked if now is a good time to buy a home, Josie Reeves, residential sales and marketing manager at Kane Realty Corporation said: “Absolutely! Rates are still incredibly low, first-time home buyers have the advantage of the \$8000 tax credit, asking prices have stabilized, and builders and sellers are more willing to negotiate than in recent years. This is a temporary alignment of the stars, and the smart buyers are taking advantage.”

Reeves noted that the market remains in favor of buyers. “Real estate is cyclical. Builders and sellers had it very easy there for a while. Right now, it’s the buyer’s turn,” she explained. “Builders and sellers have to be more aggressive and more creative, but homes are selling.”

Commercial Real Estate Developments

On the commercial side, Jimmy Barnes of NAI Carolantic Realty stressed that financial institutions were making credit available to developers but noted, “You have to look.”

“Buyers are still having trouble getting the financing that they want,” he said. “However, there are some banks, that if the buyer can

service the debt and is willing to provide a little bit of additional security — such as additional down payment or additional equity toward the property — then we are seeing some favorable interest rates and terms.”

Barnes can speak from a broader perspective than his firm since he is chairman of the Greater Raleigh Chamber of Commerce Economic Development Board. Recruitment efforts to bring new business or expansions to the region continue, Barnes said, and that means demand for commercial, as well as residential properties.

“Clearly, there are people who want to be here,” he said. “We said at the beginning of the year that we had our work cut out for us getting to 2010, that 2009 was going to be a very off year. We are cautiously optimistic as we move forward.”

While the Triangle real estate and commercial markets have seen declines in demand, sales and values, the realtors pointed out that the Triangle region has fared better than other states, especially Florida and California.

“We were among the last to go into a decline,” said Billie Redmond, founder and chief executive officer of Coldwell Banker Commercial TradeMark Properties, “and we will be among the first to get out.”

For example, Durham’s Golden Belt, a restored textile mill, and the Venable Center, a newly restored tobacco mill, both owned by Scientific Properties, are seeing a growth in commercial tenants over the past several months.

Triangle Retains National Status

Reasons include the Triangle’s continuing allure as a place to live and do business. The recession has not removed the pluses of environment, presence of high-tech and biotechnology clusters, the major universities and the quality of the workforce.

Dramatizing the point, in March, Forbes ranked Raleigh the No. 1 city where people wish to relocate.

A new report commissioned by the Charlotte Chamber of Commerce ranked the Raleigh-Durham-Chapel Hill area No. 1 overall compared to Charlotte and seven other Southern metro statistical areas (Austin, TX, 2; Charlotte 3; Atlanta 4; Dallas 5; Richmond 6; Nashville 7; Tampa 8; Jacksonville, FL 9).

In terms of livability, the Triangle ranked first. It ranked second in each of the other categories: employment and workforce, income and productivity, new economy, equity and diversity.

Also, the Brookings Institution, in its first MetroMonitor report, ranked the Raleigh area among its “second-strongest 20 metros” among the largest 100 in the US.

Raleigh ranked 17th in housing prices with an increase of 2 percent between the first quarter of 2008 and first quarter 2009. It took 11th place in percent change of gross metropolitan product at a loss of 1.1 percent. The Triangle area suffered most in percentage of employment (51st) and 75th in greatest percentage point change in unemployment (75th, up 4.6 percent from a year earlier).

“We have been blessed by having state government, NC State University and the Research Triangle Park as employment anchors,” Houston explained. “Our climate, lifestyle and affordable housing have promoted us on the national stage as the place to live and raise a family. All these factors only contribute to our area of the country being a great place to invest in a home.”

Redmond described the Triangle as “probably among the top two or three performing markets in the country, based on our discussions with other people.

“None of us like what’s happened over the last 18 months, but as we look at where we are and at other markets, we have nothing to complain about. We are very excited.”

Redmond said her firm expects to receive approval for a major project in the Glenwood Avenue corridor that will be the first in the area to meet strict environmental standards known as LEED (leadership in energy and environmental design).

Kemp Harris, a home builder in Raleigh, noted in a recent e-mail that home inventory in Wake County has been reduced and building permits have declined 60 percent from 2008.

"Say good-bye to standing inventory," he wrote. "Builders aren't replacing it — and (homes) are selling."

Given other factors such as the tax credit and low interest rates, he stressed: "The opportunity is staring us in the face!"