

# REAL ESTATE

THE CHAPEL HILL NEWS

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## Avoid panic selling

Is the glass half empty or half full? It depends on your perspective. Understandably it's hard to be optimistic when you read the paper, listen to the news, or have a chat around the water cooler about recent troubles in financial markets and the world economy. But how things directly impact our lives really boils down to



GUEST  
COLUMN  
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what is happening in our local market. Similar to politics, I would argue that it's more relevant to look

closer to home at local issues that affect us. So, what is the housing market like for us here in the Raleigh, Durham, Chapel Hill area?

Historically, appreciation for real estate in this area has averaged 3 percent to 6 percent. Areas of the country that saw double-digit growth the past three years have seen the biggest downturn in values — you just can't sustain values doubling every three years — eventually no one can afford a home. Areas like Florida, Arizona, and Nevada to name a few, are seeing the biggest decline in values.

Although mortgage lending guidelines have tightened, for qualified buyers (who have income and decent credit) there are still plenty of loan options available for a home purchase. For most home buyers, it's going to require that they have a small down payment, but then that's probably not a bad thing.

For someone looking to upsize or purchase a new home, this is a great time to take advantage of lower prices. It's also a great time to purchase investment property as well since lower prices and historically low financing rates lend itself to positive cash flow. You need to be realistic on what to expect if you are selling your home — be sure to work with a real estate professional for advice on pricing your home to have the best possibility of selling.

I expect things to get a little tougher before they start to improve. The next six to 12 months will be a roller coaster with ups and downs. Rates should bounce between the mid 5's to mid 6's. For those of us who remember double digit rates in the early '80s, those are still very good rates. I also expect to see continued tightening of mortgage lending guidelines as lenders continue to mitigate risk. Long term, once things stabilize, we will most likely end up back where we were before the sub-prime mortgage meltdown.

If you are a current home owner and can ride this out, you'll be fine. Now is not the time to sell your property in a panic. View this as an opportunity to upsize or purchase investment property and get more for your money, knowing that long-term real estate in our market is a solid investment. The glass is half full.

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## City living



Architect's three-dimensional model of the planned 140 West Franklin condo/retail complex, looking toward the northeast from above West Franklin Street. Architect's three-dimensional model of the planned 140 West Franklin condo/retail complex, looking toward the northeast from above West Franklin Street.

STAFF PHOTOS BY HARRY LYNCH

## Urbanites, professionals among potential tenants at 140 West

BY ELIZABETH SHESTAK  
CORRESPONDENT

CHAPEL HILL — Hulene Hill, 60, and her husband, Ed Akins, 72, are not sure how many more summers they'll be able to spend in Manhattan.

The jetset couple has rented an apartment there for eight years, but realistically understand they won't be able to travel as easily as they get older.

But they're not upset — they have Chapel Hill to look forward to, along with the urban, apartment lifestyle they enjoy so much in New York.

The couple has reserved a two-bedroom, two-and-one-half bathroom condominium in 140 West Franklin, a development that will be located where public parking lot 5 currently sits at the corner of Church and West Franklin Street.

"It's because we like city living," Hill said. She and her husband live in the downtown historic district just a few blocks from the new development but are looking forward to having everything they need on one level. No more taking the trash to the curb or fussing with the yard.

"You think Chapel Hill is about as opposite as Manhattan but it isn't," Hill said. Theater, restaurants, and free public transportation are all readily available downtown. It's also close to the airport, she said, and perhaps most importantly, not full of old people. They did not want to recuse themselves from a diverse, energetic society just because they are moving into their retirement years.

This is just one of the demographics taking an interest in 140 West Franklin, said Phil Patterson, broker in charge of the development. Others include young professionals, folks looking for a second home, UNC alumni, empty nesters and people just looking to make an investment.

Mike James and his wife, Barbara, fit into a number of those groups.

With their children grown, and him nearing retirement, the couple plans on using their fifth-floor condominium as a second home for the foreseeable future. Their four-bedroom house in Raleigh isn't going on the market anytime soon, but they liked the idea of having a place to "crash" in Chapel Hill when they come into town for all of the football and basketball games they attend.



A sample bathroom in the 140 West Franklin sales gallery. The gallery is at 126 West Franklin Street next to Chapel Hill's Parking Lot 5, which will eventually become the 140 West Franklin development containing condos and retail.

### BY THE NUMBERS:

140: number of units  
43: available floor designs  
2009: demolition and excavation begin  
2011: 140 West Franklin opens  
338: number of covered parking spaces for residents  
13: number of penthouses  
4: number of two-story luxury units

"I think it will be quite enjoyable," said James, a Raleigh pharmacist. "There's a uniqueness, as you know, about a college town."

It also seems like a good investment. "I'm an optimist at heart," he said. He hopes the economy will turn around, but even if it doesn't for a while they'll be OK. As an added bonus, the condo will overlook the N.C. Pharmacy Association building where he often speaks.

When asked if the downturn in the housing market and economy has affected sales, the answer from Ram, the development company behind the project, is not really.

Ram has 25 percent of the units pre-sold

with \$5,000 deposits. Michael Hammon, chief development officer for Ram Realty Services, said if the economy were stronger, they perhaps would have needed 30 or 40 percent of the units reserved before breaking ground. Now, the banks want 50 percent.

Traffic has been steady since the sales gallery opened at 126 W. Franklin St. in early October, said Patterson. The gallery lets potential buyers see what design options are available for carpets, hardwood flooring, cabinets, tiling and other aesthetic details. There are more than 40 possible layouts, but you can see a model living room, kitchen and bathroom, as well as the BlueVue fireplace that will be in the BlueVue lounge, a bar that will be open to both residents and outside patrons.

The condos range from 931 square-foot one-bedroom units to 3,334 square-foot, two-story penthouses, priced from \$360,000 to \$1.8 million.

Like all residential developments in Chapel Hill, 15 percent are to be affordable housing units available to residents making less than 80 percent of the median income. Those units will be one or two bedrooms ranging from 560 to 800 square feet, costing \$85,000 to \$105,000, said Robert Dowling, director of the Orange Community Housing and Land Trust.

The project has been in the works, on some level, since the 1990s when the town began looking at areas to develop in the heart of downtown to both increase the business tax base and also attract people to actually live there.

"One important goal was the creation of a public gathering space," said Town Council member Bill Strom. The shops and restaurants on the first floor, along with open areas for art installations, outdoor markets and live music will help achieve this, he said, and "the town benefits by having an underutilized asset redeveloped."

The developers are to include the same number of public parking spaces in the new building as currently exist in Lot 5. And for those who have tailgated there for years, 140 West Franklin plans to give those groups a commemorative brick, and wants to hear from folks about their favorite Franklin Street moments for its website. The plan is for 140 West Franklin to only add to them.



A sample kitchen in the 140 West Franklin sales gallery includes Viking appliances and a leopard granite countertop island.

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## Nothing conspicuous about it

My wife Mary and I have begun a home remodeling project.

We're having a company update our 40-year-old upstairs bathrooms and closets. We figured it was a good time to do this, with construction slack and firms looking for work.

One of the biggest worries people have about a home remodel is whether the expenditures will pay off. That is, will the homeowner get back the money put into the remodeling job when the home is eventually sold? Many studies show the answer is often "no," that remodels often return only 50-to-75 cents on the



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dollar of expenditure. Mary and I talked extensively about this issue. And even though it's unlikely we'll recover all our remodeling money, we've decided to go ahead with the project anyway.

But why? Are we being financially foolish?

I don't think so. We're proceeding because there's another reason for us to modernize our home. Very simply, we're doing it because we'll enjoy the result. We'll get more pleasure from our bigger tub and shower, our new tile floors, our freshly painted walls and our more spacious closets than we do from our current old and outdated upstairs.

Economists have a name for the pleasure Mary and I will receive from our new second floor: consumption. Just like most of us get more enjoyment (consumption) from a three-day weekend or a brand-new vehicle than from two days off or a 15-year-old car on its last legs, Mary and I will receive more consumption from our spiffy new second floor in the form of more comfort and convenience.

Homes are almost unique in that they provide consumption benefits to the owner as well as the potential of investment gains when the home is sold. In contrast, renting is pure consumption to the tenant, with any investment gains accruing to the landlord. However, it is a mistake to claim renting is "money down the drain." Rent paid is for the consumption enjoyed by the renter.

Still, people are drawn to home owning because there is a good chance of an investment return in addition to the consumption pleasure. Historically, homes appreciated in value by 2 to 4 percent per year. People typically didn't get rich owning a home, but they could earn at least a little profit after a few years. And since 1997, these profits have been tax-free for most homeowners, even if the owner didn't buy another home.

However, our attitude about homeownership changed dramatically in the 2000s as the investment returns from homes soared. Indeed, in the middle of the 2000s decade, the average home was appreciating in value at more than 10 percent annually.

This caused more people to consider a home as a place to make money (investment) than as a place to enjoy living (consumption). Homeowners tapped the investment component of their homes in the form of home equity loans to finance a spending binge.

All of this changed with the housing crash of the last two years.

National indicators show housing values falling from 10 to 20 percent over the past year. The numbers aren't quite as dire for North Carolina, but they still show home values rising at much slower rates. The bottom line is that our view of homeownership has now shifted back toward consumption and away from investment. Increasingly, buyers will look at homes more as a place to enjoy living rather than as a generator of big monetary gains.

In other words, homeownership will return to its traditional roles as a source of shelter, a place to raise a family and a generator of pride. Maybe this is as it should be. You decide.

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