

GAINING PERSPECTIVE ON THE REAL ESTATE MARKET

A Letter from Geoff Wood, CEO, Windermere Real Estate

You don't have to look far to find a negative headline about the real estate market in today's news media. This "sky is falling" approach to reporting is selling a lot of newspapers—and causing a great deal of unnecessary panic. Assaulted by daily stories of how horrible the real estate market is, it's difficult for any of us to feel good about home ownership. To gain perspective, we need to look past this subjective coverage and understand the realities of the housing market.

CONSIDER THIS...

Here's an analogy. A man walks into a casino and begins playing blackjack. Within a few hours his original \$100 "investment" has risen to \$200,000. He is on an incredible run. He then decides to make one bet of \$100,000 and loses. He cashes in the remaining \$100,000. Did he win a \$100,000 or lose a \$100,000? Clearly he won, but the media headline would likely read: *Man Loses \$100,000 Playing Blackjack.*

The reality is, this gambler started with just \$100 and made a 999% return on his money. (That's not a bad day at the casino for most of us.)

This simple analogy is easily applied to the real estate market. Let's say this same person buys a home for \$300,000 in 2000. By 2006 it is appraised at \$425,000, but today he is able to sell the home for \$400,000. Has he lost \$25,000 or gained \$100,000 in value?

THE REAL REAL ESTATE STORY

The difference in real estate is that a home is not a gamble. And even though your home may have lost value in the last couple of months, it has gained tremendous value over the past years—and will continue to do so over time. Real estate is, and always has been, a long-term investment. Very few people buy and sell their homes monthly, annually or even every three years. The reality is that the average length of home ownership is seven years.

As you read stories about dropping house prices, you need to think about your home value over time, not unlike a stock. You can monitor your portfolio regularly but stocks typically become more valuable over time—and there are decades of data to prove it.

The same holds true with real estate. It is long-term. Yes, your home may be worth less today than it was last month. But it is still probably worth much more than when you bought it two or three years ago, and will likely be worth more three years from now.

So, don't be swayed by media reports of a "disastrous housing economy." Take the long-term view and be confident that your home will continue to appreciate in value. And know that if you buy a home today, in seven years it will be worth a lot more.

