



Looking back at 2008: A *Historical Year for Real Estate*

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 Molly Ells

Associate Broker
AB, ABR, ASR, CRS, GRI,
EcoBroker, e-PRO, TRC

Business: 360-692-6102
Seattle: 206-282-5340
Cell: 360-620-2690
mollyells@windermere.com
www.mollyells.com


Windermere
Windermere Real Estate/West Sound, Inc.

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meant as a solicitation for that business.*

At the beginning of 2008, the real estate industry had just recovered from one of the strongest growth periods in decades. 2004-2007 saw record-breaking appreciation rates across the country.

But as we passed from 2007 into 2008, the real estate industry had come face-to-face with the reality of what happens when rampant growth collides with incredibly low lending standards in the mortgage industry. It was a recipe for disaster.

Such "sub-prime" loans—meaning they were not based on whether or not a borrower could actually pay the money back—were the reason behind the crisis. When it became apparent that most of the people who entered into these loans were unable to pay the money back, the entire system collapsed in on itself.

All of real estate in the United States was affected in 2008. Homeowners suffered with rising payments as their adjustable rates went through the roof. Many were faced with foreclosure, with no way to dig out of the mess they had gotten themselves into.

2008 will be remembered for three major events for real estate in the 21st century:

1. A reality check.

When home prices appreciate in double-digit percentage points over a period of three years, there will eventually arrive an adjustment. That adjustment arrived in 2008.

2. The sub-prime credit crisis.

2008 will go down in history as the year we took a closer look at our credit market and our loan programs. They will never be the same again.

3. Fence-sitters.

2008 saw buyers flooding *out* of the market to sit on the proverbial fence—waiting, watching, and wondering when the market would go down further before they bought. In many markets, this bottom hasn't been reached and buyers are still waiting to this day.

What they don't realize is that they may have missed it. The overall market is beginning to recover and many buyers will miss the great opportunity for which they have waited for so long.

On the seller side, many jumped headlong into the market hoping to sell before the market went down any further. By doing so, they created a surplus of inventory and prices had to be reduced.

2008 was the year of adjustments, corrections, and protections. It was a year for everybody—buyers, agents, builders, developers, Wall Street, and the U.S. Government—to take a long hard look at the real estate industry and see that it's the foundation of our economy and it needs to be protected.

While on the surface it may seem like 2008 was a disaster, it was a necessary market correction. What happened in 2008 is only going to create a strong foundation for years to come.

Want to learn more about what happened in real estate in your specific neighborhood in 2008? Just give me a call at (360) 620-2690 or send an email to mollyells@windermere.com. I take the pulse of your neighborhood and can tell you exactly what's happened, to whom, and why. Give me a call today.

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