

The Chairman's Report

A Message from Lawrence F. Flick, IV, Chairman and Chief Executive Officer
Prudential Fox & Roach, REALTORS® and The Trident Group



WINTER 2011

What about the sellers?

We all know it's a buyer's market: a great selection of houses, lower yet stable prices, more realistic sellers, and generationally low interest rates. But what about the sellers – can they achieve their goals, or is success just not possible in today's market?

It's been a long four years since the end of the real estate boom. For many of us, life changed dramatically in that time. Whether because of marriage, divorce, having children, seeing children leave the nest, or taking in a parent, we are reevaluating our current living situation. For first time buyers who feel secure about their employment and financial situation, today's decision point is clear. It's easy to see the benefits of the current market. But for some who must sell a home in order to buy another, the advantages of making a move may not be so obvious. Many sellers continue to hold off, waiting until the market "improves," making do and postponing plans even though their current situation is uncomfortable.

It doesn't have to be this way. In an ideal world, everyone would sell in a seller's market and buy in a buyer's market. But in reality, those two conditions don't co-exist. So how can a seller find opportunity in a buyer's market? Consider this: selling and then buying a home in a buyer's market generally nets positive results. How is that possible? The answer is that even if we lose some value when selling our house now, we save when we buy a new home at a price lower than if we had bought at the peak of the market.

This is especially true when we trade up to a more expensive property. And when we consider today's exceptionally low mortgage interest rates, the potential savings soar because we save significant dollars every month throughout the life of the loan.

ARE YOU REALLY READY TO SELL?

If you are ready to sell your home now, success all comes down to how well your property competes with others on the market. Before listing yours, analyze the market with your Prudential Fox & Roach sales associate:

- Look at the data from comparable sales in the past six months. What was their initial list price versus the final selling price? What price reductions did they make? How long were they on the market?
- Review properties that were for sale but withdrawn from the market. Try to determine why they didn't sell.
- Be familiar with competing properties currently on the market. How long have they been for sale? Have they had price reductions? Then, take the time to tour them with your Prudential Fox & Roach sales associate. Consider these homes from a buyer's point of view to see how yours compares. Is yours the best value? *If you really want to sell, it needs to be!*

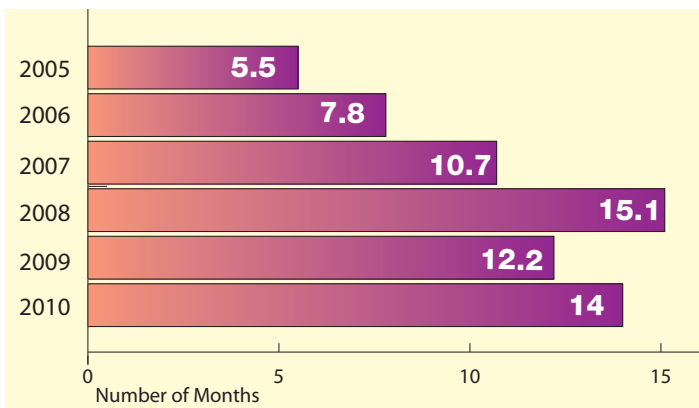
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- Accept the fact that prices in our area have eroded since the peak selling prices of 2006. We often hear of dramatic price declines of 30% or more from the national Case Shiller Price Index, which covers only 20 metropolitan areas throughout the United States. (The Philadelphia tri-state area is not included in this.) Real estate is local, and the Case Shiller data for our area suggests a 6% to 15% decline throughout the Prudential Fox & Roach market area. Keep in mind that this is an average, and does not necessarily accurately represent some price ranges and/or micro locations. The following examples illustrate housing supply and demand which impacts the negotiation position of buyers and sellers:

1. Month's Supply of Inventory (MSI)

MSI is calculated by determining how long it would take to sell properties listed for sale at the present month's rate of sales. In a "normal" market, MSI would be six to eight months. Current MSI is elevated and points to a continued buyer's market:

Month's Supply of Inventory (MSI)

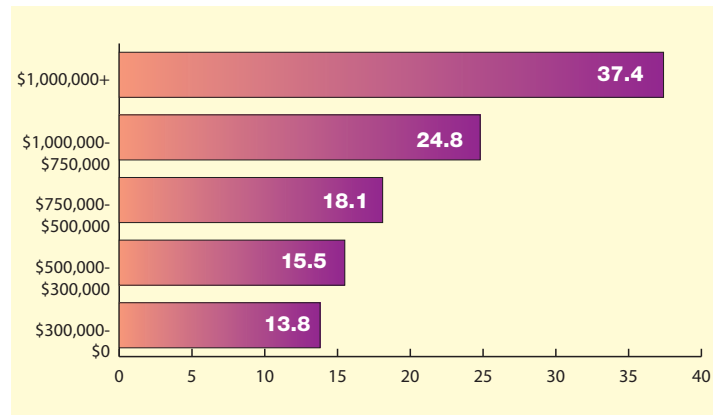


(Source: Trend MLS), November 2010

2. Month's Supply of Inventory (MSI) by Price Range

In higher price ranges, there is greater supply versus demand. Though there is no price index that sorts properties by price ranges, it has become evident that the recession has had a much greater impact on properties in higher price ranges:

MSI by Price Range

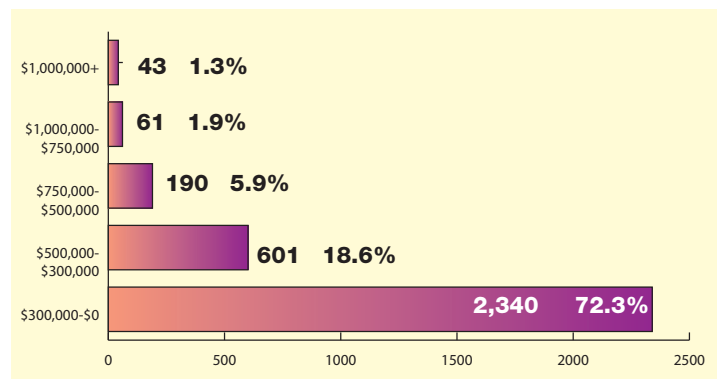


(Source: Trend MLS), November 2010

3. Number of Transactions by Price Range

The number of properties that have sold clearly shows that there is significantly more demand for properties priced less than \$500,000:

Number of Marketplace Transactions by Price Range

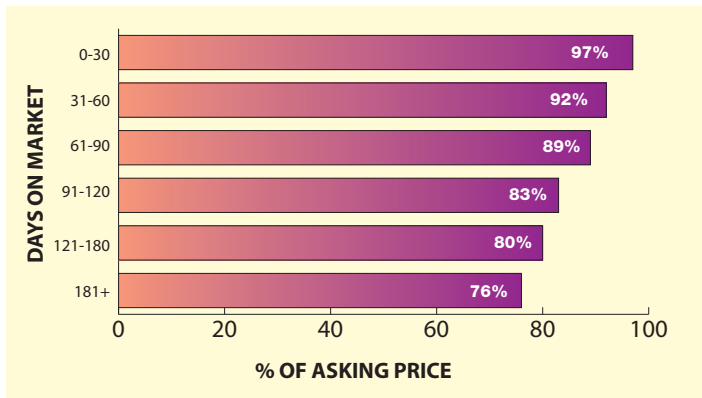


(Source: Trend MLS), November 2010

The answer is that even if we lose some value when selling our house now, we save when we buy a new home at a lower price than if we had bought at the peak of the market.

A TEST THAT FAILS

Many home sellers try to test the market by listing their property at a higher price and then reducing it later. Unfortunately, those who do usually end up making less on the sale than if they had priced it competitively from the start. Experience shows us that houses that are priced right sell closer to their list price in a shorter period of time. Here's an example from our marketplace:



(Source: Trend MLS)

BEYOND PRICING

Aside from proper pricing, other important factors will affect whether or not your house sells:

1. Condition

After we've lived in a house for a while, many of us tend not to notice the little flaws that we've been meaning to repair. However, you can count on potential buyers seeing them right away. Before putting your house on the market, tackle your to-do list and complete it. Many buyers don't want to face additional projects after their purchase, so make it easier for them to select your home as their next one.

2. Staging

Before, in the previously overheated market, if you wanted to sell your house you just needed to tidy up and bake cookies so your home smelled inviting. Now staging a home for sale is a sophisticated practice, one which your Prudential Fox & Roach sales professional will guide you through. If you've watched HGTV or similar home shows, you know the positive impact a few strategic changes can make. Whether it's creating

an entry that welcomes visitors or moving furniture to show your rooms to their best advantage, staging transforms your property from the place you live into a showpiece for potential buyers.

3. Marketing Plan – Phase II

We know the importance of a traditional marketing plan that targets potential buyers via varied outlets. But too often we overlook a crucial part of marketing that occurs *after* potential buyers come through our home. Yet the time to think through the entire transaction is before we place a house on the market. Sellers must prepare themselves to hear buyer feedback objectively and make adjustments if needed, and plan a negotiating strategy that will allow them to review offers wisely, without the emotions that too often keep many from thinking clearly. And, home inspection concerns should be addressed *before* an offer. The more we prepare to manage this crucial phase of the selling process, the better chance we have of achieving our ultimate goal.

4. Financing Options

When you do get an offer, you want to be confident that the buyer is pre-approved for a mortgage with a reputable lender, especially if the property will likely require a non-conforming loan. Your Trident mortgage consultant will prepare the best financing options available and pre-approve the buyer so you are assured that everyone gets to closing on time and with the least amount of stress.

If you want to make a move but have been waiting to sell, you've waited long enough. Now is the time to make it happen. Contact your Prudential Fox & Roach sales associate and Trident loan consultant and get ready to get on with your life!

Lawrence F. Flick, IV
Chairman and Chief Executive Officer
Prudential Fox & Roach, Realtors® and The Trident Group

AN INDEPENDENT VIEW



Kevin C. Gillen, Ph.D. is a Research Fellow with University of Pennsylvania's Institute for Urban Research and a Vice-President with Philadelphia-based Econsult Corporation. His quarterly report on the Philadelphia housing market regularly receives widespread media coverage, and he has been

quoted in the Wall Street Journal, the NY Times, the Philadelphia Inquirer and Philadelphia Magazine.

The greater Philadelphia metro area continues to outperform the nation during the current downturn. Unemployment here is below the national average, and the decline in local house prices remains among the smallest for large U.S. cities. Yet, home sales continue to be sluggish, and are currently below their historic average. And even with historically low interest rates, both mortgage applications and originations also remain relatively low. More importantly, despite our better-than-average

performance compared to national trends, households are well aware that we are in a challenging economy and understandably remain wary about the future. While the uncertainty of the future and softness of the economy must be recognized, it should not overshadow the fact that not all the news here is negative. Our mix of major employers (educational institutions, hospitals, pharmaceuticals and medical research) is relatively recession-proof and makes the Philadelphia area much less susceptible to severe economic downturns like the one the nation is currently experiencing. And even though credit may be tighter than it was during the boom years of mid-decade, the data indicate that credit is readily available for qualified buyers. And, while it is true that we did not experience the wild house price inflation and over-building that many other areas of the country did during the boom years, it also means that we fall less and land softer during the bust years. Lastly, the plus side of lower house prices is increased housing affordability. When you combine this with the current high levels of inventory, there is now a selection of homes to choose from that have more variety and are more affordable than ever before.

