

Quarterly Dallas area market outlook from Registry Homes



My partner Rick and I are regularly asked for our opinions regarding developments in the prime Dallas real estate market which is why we began preparing this quarterly review. Following is our most current take on what's happening and on the horizon.

-Randall Case, September 15, 2009

FIVE REASONS WE BELIEVE THE LOCAL MARKET IS TURNING AROUND RIGHT NOW:

- 1.** Brand new research from the North Texas Real Estate Information Systems and Texas A&M University Real Estate Center show the median price of area homes has *reversed* its downward trend with an increase of 3% over July, 2008 sales figures.
Source: Dallas Morning News, August 11, 2009.
- 2.** Our friends down at the City of Dallas offices who issue building permits have reported to us that business has picked up considerably. (In other words, local builder confidence is reversing its course, as well.)
- 3.** An informal surveying of Registry's construction materials suppliers, are also confirming a warming new home construction market. They report a growing momentum in the number of new projects being bid out, and general activity at levels not seen since early 2008.
- 4.** Increasing visitor traffic at Registry's weekend Open Houses. A substantial improvement over this time last year (and even this time last month). This means local consumer confidence is returning quickly.
- 5.** Registry's phones are ringing regularly now with inquiries from folks asking questions about starting new custom home projects. Calls are coming from both local residents and the increasing number of new arrivals to the Dallas area.

FOUR REASONS TO ACT NOW, BEFORE THE TREND BECOMES A MARKET CONDITION

- 1.** Once confidence in our local real estate market fully returns, prices in the prime markets of Preston Hollow and the Park Cities will accelerate very quickly. Here's why:
 - Both upscale areas are driven (and protected) by *redevelopment*. In other words, all new homes necessarily replace older homes. The ever-increasing rarity of "tear down" sites in these preferred neighborhoods, in itself, drives up the land values under all the homes in the areas. Prior to the downturn, this shortage of sites was responsible for regularly increasing annual property values by up to 10% (or more). We will see these levels again. For sure.
 - There is almost a full year of pent-up demand in delayed property purchases. Especially, in new construction projects in the prime neighborhoods which will require "tear down" sites (a sling-shot effect for higher pricing).
- 2.** Considering the last statement, once custom construction projects return to normal levels, finding a good build site will become ever more difficult. **Right now there are good (even great) sites available. Very soon there won't be.**
- 3.** Financing rates are still very affordable. However, with the government's massive borrowing to cover their deficit spending, the cost of money will surely rise. An increasing scarcity of available credit could become a problem, as well. **However, the near-term appears to represent a stellar financing opportunity, indeed.**
- 4.** Building costs, materials and labor, are still very, very attractive. Once new construction begins again in earnest, the current lack of construction materials inventories and reduced local labor force will surely push prices up substantially and almost overnight. **Acting now can save thousands and thousands on building costs.**

Direct questions or comments to RANDALL CASE / 214-802-6004 / or email Mr. Case at rlc@registryhomes.com