

August 2009 Executive Forum

When the going gets tough, the tough innovate!

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Most agree that no one accurately predicted the wide r ching and devastating impact the recession would have on Arizona's real estate industry. Excessive supply, mini demand and tightening credit all contributed to the perfect storm that realtors face as they scramble to deploy innovati methods to keep their businesses afloat. August's Executive Forum showcased a panel of experienced real estate professionals who shared an abundance of practical survival strategies.

Doug Bergner, vice president Equity Title Agency moderated the distinguished panel including Martha Appel, vice president and designated broker, Coldwell Banker; Holly Eslinger, Owner, Exclusive Homes and Land; John Foltz, president and designated broker, Realty Executives; and Sam Wercinski, former commissioner, Arizona Department of Real Estate. All panel members agree that the dramatic slump in the Arizona real estate market demands that companies develop fresh, new approaches to remain viable.

Martha Appel discussed how in the beginning of the downtur many clients were unrealistic about housing prices. She first had to educate them and then find ways to keep buyers interested and sellers motivated. One of the more interesting strategies employed to accomplish this was a '10-day Sale' strategy where the seller agreed to lower the sale price by 10% for 10 days. The seller had the option to raise the price after 10 days but most did not as sales started to increase. Of the many mortgage offers that were rampant two years ago, Holly Eslinger inherently knew the "borrow up to 110% of the home's value" tactic could simply not sustain itself. She used her experience in lender foreclosures to create a new niche market and opened Exclusive Homes and Land, which specialize in bank owned properties.

Having a rare opportunity to create something new, redefine teamwork and re-institute respect were some of the tactics Sam Wercinski deployed at the Arizona Department of Real Estate after the bubble burst. "By changing attitudes and perspectives, we were able re-align our goals to better serve the public" Sam stated. John Foltz remarked that the most shocking news was that many industry peers lost their homes to circumstances beyond their control. On the plus side, he observed that market survivors tended to band together and cooperated even more so than in the past.

There were many examples offered when the panel was asked what they do to keep employees motivated during this downturn. Martha advised reinventing your focus and, for example, if you previously handled million dollar plus homes to reapply your skills to lower priced homes. Holly recom ended that you pause all other distractions and take the time to listen and respond to your employees' needs and not buy into the 'sky is falling' mentality. Both Sam and John agreed that now was a time for planting seeds and to cultivate str t clients and peers with the utmost respect and to take a leadership role in your company. John continued that by investing in employee development instead of advertising, the rewards are much greater and employees are more motivated and better problem solvers, which we all need in this climate.

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When asked when the market would turn around, all concurred that the low end turned the corner in January with foreclosures stabilizing but that it would be awhile before demand caught up with supply. The good news is that interest rates are so low that it is an exceptionally good time to buy especially for first time home buyers. Martha said, "75% of the homes selling in the Valley sell for \$250,000 or less but that 70% of these homes sold are distressed properties." The panel reiterated that the Valley has a way to go before full recovery occurs and that the higher end market may still require some adjusting. Sam also predicted that commercial real estate is the next market that will have far more inventory than demand by next summer. He added that anyone leasing space now should start negotiating with their landlords and reap the benefit from the excess in supply. Many concessions and rent abatements are occurring to keep commercial leases in place.

In closing, the panel brought new ideas and practical solutions that will undoubtedly help Enterprise Network attendees continue to navigate through the unsettled Arizona real estate market.