

What's Your Area's DNA?

by Robert Freedman

During the boom and even today, the tendency of analysts in the media to talk about real estate markets as a single entity has obscured the fact that each community — and indeed each neighborhood — ebbs and flows on its own timetable based on the tangible and intangible attributes that go into a local market's DNA. So says NATIONAL ASSOCIATION OF REALTORS® Chief Economist David Lereah, whose new book *All Real Estate Is Local* (Currency/Doubleday, 2007) hit bookstores in March.

The book is written for consumers and as a tool for you to help customers understand why your market marches to the beat of its own drum regardless of what's happening elsewhere. REALTOR® Magazine recently talked with Lereah.

Q: Your theme is that all real estate is local. Why do you think you need to make that case? It seems intuitive that no two markets are alike.

A: During the boom, people forgot about fundamentals and started seeing real estate as a single market. That notion was reinforced to me about two years ago when I was making a presentation in Florida. A reporter asked why Fort Myers wasn't seeing a boom in the same way as Naples. Everyone — the media, consumers, analysts — were losing sight of the uniqueness of markets. I later hit on the idea that each real estate market has its own DNA — the combination of characteristics that makes people want, or not want, to live in a particular place. What constitutes the DNA and how you examine it in your own market form the core of the book.

Q: Why is this message so important to get out now?

A: Seeing the uniqueness of each market is critical for consumers to start buying real estate again. More than anything else, today's cooler conditions stem from a loss of confidence, not a bad economy. Mortgage rates are still low, the economy nationally is growing, and jobs and incomes are gaining. But people hear about falling prices in former boom markets, and they think the same thing is happening where they live.

Q: Can you go into more detail about the nature of real estate DNA?

A: Some of it is natural: the proximity to water, picturesque mountains, mild weather. Some if it is the result of good decisions made over the years. San Francisco has its natural attributes—it sits on rolling hills overlooking the Pacific Ocean — but it has also maintained a vibrant downtown. Atlanta was decimated after the Civil War, but then rail companies turned it into the distribution hub of the South. City leaders capitalized on that. They saw the city not as a rail hub but as a transportation hub and built a highway system and airport to maintain its position as the crossroads of the South.

There are DNA intangibles, too. Think about the impact of New York's Ellis Island, the entry point for European immigrants to the United States. It led to an unprecedented concentration of talent in one place. That has nothing to do with real estate on its face but is hugely significant to what makes people want to live in New York City. Think about the impact Oprah Winfrey could have if she suddenly declared that Des Moines, Iowa, is the best place to live in the United States.

Q: To make good real estate decisions, though, you also need to make fine distinctions about other markets besides the metro-area level, right? You need to go down to the neighborhood level.

A: Exactly, and that's why the role of REALTORS® and lenders is so critical. The book includes about 40 pages of appendixes — raw data to help consumers examine the DNA in all metro areas in the United States. Metros are ranked by median income, percentage of residents with college degrees, rate of violent crime, and so on. It's impractical to cut the data much finer than that. So consumers' next step is to talk to the people who live and work in the neighborhood every day. REALTORS® and lenders are the only practical source for learning about the DNA of different neighborhoods — the nature of the schools, the crime rate, the level of upkeep and maintenance of a particular block, the location of grocery stores and, just as important, where the new grocery stores will be.

Two years ago I bought a condo unit as an investment in Washington, D.C., solely on the information a REALTOR® gave me about plans for a new grocery store to come in around the corner. Since that store went in, the value of the condo has gone up significantly.

Q: The book is coming out just as NAR is ramping up its media campaign about how every market is different and that salespeople can advise consumers on what kind of real estate strategy to pursue in a particular market. A coincidence?

A: The media campaign is right on target. But I actually started writing the book during the height of the boom. While I was traveling around the country at that time, the idea that people were starting to view real estate as just one big market became increasingly clear. I was hoping to send a vivid message that the boom hadn't revoked the fundamental laws of real estate. But beyond just stating that message, the book is intended to give REALTORS® a very practical tool they can share with their customers so that they can open up their market and examine its DNA and then decide for themselves whether it's a good time to buy.



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