

## **Rock Bottom Angst – Are we there yet?**

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*Are we there yet?* -- Every parent's dreaded question as they head to their destination with kids packed in their car seats. You drive steadily, hoping the Game Boy doesn't run out of juice, the crayons don't roll out of reach, or that the kids simply forget there's actually a point to being in the car. Then suddenly, the sound of their impatience -- *Are we there yet?* They remembered!

### **LOOKING FOR AN END**

*Are we there yet?* -- Also an applicable question regarding the seemingly never ending decline of the housing market. However, rumors and signs indicate that the housing crash of 2005-'08 may finally be coming to an end. With builders' home inventories dropping, significantly low housing starts, and stabilized home prices. So, the answer is *yes, we are there*. But exactly *where is THERE and where do we go from THERE? And now that housing prices have reached all time lows, are they going to stay THERE?* Unfortunately, the answer is *no*.

You know the oversupply of homes that caused the housing market crash to begin with? Well, once those are absorbed, housing prices will skyrocket and interest rates will soar. The reason for that begins and ends at the gas pump.

### **ADDING FUEL TO THE FIRE**

While the housing market has declined, construction costs have persistently escalated. Every home's petroleum-based product costs, including shingles, plastic piping, vinyl windows and siding, have increased dramatically. In fact, those prices continued to increase even as housing demand dropped. Factor in the rising cost of manufactured metal products due to the increased price of steel, copper and aluminum, and then add to the mix the cost to transport said materials to the job site (once again, we find ourselves back at the gas pump) and we've all felt the direct impact of those increases.

There are a few things that have, until now, kept overall home construction prices from going straight through the roof. Contractors have been forced to be more competitive in order to find and maintain their workflow. Basic commodities like lumber and drywall have gone down dramatically throughout the market decline. But as the housing market inches its way back toward normalcy, we could see construction commodities, like lumber and drywall, double in the next few years.

### **BITING BABY BOOMERS**

By now, most of you are probably scratching your heads and wondering – *it's all relative, isn't it? If the price of new homes increases, won't older homes go up in price*

*as well?* -- maybe or maybe not. What we do know is that prices in the existing market are not likely to escalate to the same degree as new construction. For builders, the price of a new home is a function of cost. As costs increase, builders have no choice but to increase price. In the *existing* market sector, price is more a function of demand - and when there is no demand prices will reflect the weakness of the market.

The largest group of buyers today is baby boomers looking to make a *lifestyle change*. The problem is there aren't enough buyers for all the large family homes the boomers are hoping to sell. In this case, *supply* overwhelms the market because there isn't enough *demand*. If the boomer decides to *hold off* or *wait it out*, it may mean that buying that new lifestyle home may not ever happen.

## **HOW TO BEAT THE MARKET**

If you want to beat the market, don't wait for the *sell high/buy low* scenario. If you act now, you may have to sell your home for less than you'd hoped, but you can take advantage of the current low prices (and interest rates) and pay less than you might after this year.

Coolman Communities has been saying for some time now that **THE HOUSING MARKET STINKS – TAKE ADVANTAGE OF IT**. In fact, they've announced it on billboards and on movie theater ads. And to the homebuyers' credit, many did take their advice, looked for deals and found them.

For those of you who haven't yet jumped on the housing market bandwagon, you should know that Coolman is *still* operating at reduced margins, including new home construction starts. But that won't last for long. As the market turns around, they will replace the inventory and increase their margins. So for those of you on the fence about it, be prepared. The market is about to change. Waiting will definitely cost you more money – maybe lots of money.

For a limited time, Coolman Communities is offering bottom of the market deals. Prices just can't go any lower; neither can the low interest rates, which are projected to increase this year. For a current list of deals, visit Coolman Communities online at [ASKCOOLMAN.com](http://ASKCOOLMAN.com) or visit our model homes, Saturdays and Sundays 1-4pm. For an appointment call 219-464-7510.