



Hoping for a break in the housing market

photo by Chris Fritchie

## Frisco's Real Estate Market

By DeAnn Daley Holcomb

FROM STONEBRIAR CENTRE, Frisco Square, office developments, apartment buildings and residential real estate – Frisco has enjoyed being one of the fastest growing areas in the country. As the nation faces economic turmoil, the real estate market in North Texas appears to be surviving the fallout better than the rest of the country. It may not feel like it though, because the astonishing growth of the last few years has skewed our view on what a normal growth rate looks like.

“It is important to remember when looking at percentages, comparing current sales to the prior year’s sales for the same period, that we are comparing today’s numbers to 2008 and 2007, the best years ever for real estate,” said Linda Pardue, Broker Associate with Pardue Group / Keller Williams Realty. “So now we are back at sales rates experienced

around 2003 or 2002. Remember, we thought we were in a booming real estate market at that time. Our real estate market hit its peak in July 2007. We are still in a relatively good market.”

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Ms. Pardue said another measurement of the market is what real estate and

financial professionals refer to as the “Months of Inventory.”

“‘Months of Inventory’ measures, at the current rate of sales, how many months it will take to sell all the homes on the market today,” Ms. Pardue said. “Less than six months of inventory is considered a ‘seller’s market’ while around six months of inventory is considered a ‘stable or balanced market’ and more than six months of inventory is considered a ‘buyer’s market.’ North Texas has about six months of inventory – or a stable market.”

Jeff Cheney, CPA with Keller Williams Realty and a Frisco City Council member, said Frisco is not seeing the dramatic price drops of as much as 40 percent for markets like Las Vegas and California. According to statistics from the Office of Federal Housing Enterprise Oversight, California home prices fell close to 21

percent from their value in the third quarter of last year while during that same period, Texas home prices rose more than three percent.

“Our local real estate market tracks inflation fairly closely and we did not see the double digit gains that others did over the last five or six years,” Mr. Cheney said. “However, we do not have the drastic fall either. Our housing market is much more stable. Our pricing has remained relatively stable with some areas having moderate gains while the hardest hit are experiencing a slight decline of a few percentage points.”

Ms. Pardue adds, “The constant media message regarding this being a “buyers market” has created a false expectation for buyers. They assume they can get a steal on every home. It really depends on the price range. If a buyer is looking for a \$150,000 home in Frisco, it is still a seller’s market. If the home is in a good location and in good condition, the seller does not have to take a beating on the price. The North Texas Real Estate Information System shows that homes valued under \$200,000 are in a seller’s market, \$200,000 to \$400,000 are basically in a stable market tending toward buyer’s market and homes valued over \$400,000 are in a buyer’s market.”

The market has changed considerably for new home construction.

“New construction has slowed to a snail’s pace which is similar to other cities in the area and our new housing permits have dropped to roughly 60 per month; they peaked at over 300 per month in 2006,” Mr. Cheney said. “Buyers who are building are paying a slight premium. Therefore, many buyers have been searching harder for value purchases in the resale and foreclosure markets. There has been a dramatic shift from the builder spec home market to the foreclosure market. However, owner-occupied resale properties have remained steady at 60 percent of the market over the last few years.”

Michael Reese also of Keller Williams says that while his business is more than holding its own, his team is stepping up its efforts to ensure continued success. “We now bring in a staging consultant on every new listing to be sure our sellers put their best foot forward for showings

and we spend a tremendous amount of time when it comes to preparing pricing recommendations and educating our client on what is happening in the real estate market.”

PMI (Private Mortgage Insurance) Group surveyed the top 50 large cities in the United States regarding risk for further price decline and Dallas-Plano-Irving ranked the lowest in potential risk for further price decline in the next two years. Fort Worth, San Antonio and Houston also rated as low risk. Markets rated at a high risk were in California around the Riverside-San Bernardino and Los Angeles areas and the Miami Florida, Fort Lauderdale and West Palm Beach markets.

The sellers who are taking care of all the details are the ones that are getting their homes sold. This includes home staging, pricing to the market and making any repairs.

“We are seeing an increase in activity as we get into spring and the peak selling season for homes; however, the total number of closed sales is starting off lower than prior years,” Ms. Pardue said. “I do think the negative talk about the economy has created uncertainty in the marketplace and certainly in the real estate market. However, I see people making decisions to get on with their lives. Listings are definitely increasing and this is the right time to put a home on the market if a homeowner wants to sell this year.”

Days on the market (DOM), the total number of days between when a property is listed and when it sells, appear to be declining. In 2008 the average DOM in Frisco was 131 days; in January 2009, the average had dropped to 103 days. The latest February 2009

DOM figures for Frisco show another drop to 90 days on the market. When taking into account that credit quality is under closer scrutiny and bank loans are not as easy to come by, the numbers are encouraging. Locally, real estate professionals are finding that their clients are not biting off more than they can chew.

“I am seeing buyers become more conservative with their purchases; they’re more prudent and buying less than they are qualified for. They are allowing for contingencies in their home budget,” Mr. Cheney said. “Buyers are trending toward less square footage as they look at their total housing budget which will include maintenance and utilities. Foreclosure sales have been driving the market. In 2007, foreclosures sales accounted for roughly seven percent of the homes sold. In the fourth quarter of 2008, foreclosure sales were an alarming 25 percent of the Frisco market.”

Mr. Cheney adds, “The sellers who are taking care of all the details are the ones that are getting their homes sold. This includes home staging, pricing to the market and making any necessary repairs.”

The housing market is not the only real estate being affected by the ever-changing economic climate.

“Due to economic conditions, real estate transactions and job growth have slowed in 2009, however, new business prospect activity has increased since January 1,” said Jim Gandy, president of the Frisco Economic Development Corporation. “Frisco’s retail sales tax revenues year-to-date are flat compared to last year. Frisco’s 224 retail buildings are 91 percent leased with 87 percent occupied. During 2008, Frisco’s new retail construction ranked fifth highest in the D/FW metroplex with 358,000 square feet of new retail.”

Regarding office space in Frisco, the EDC reports that Frisco’s 129 office buildings totaling 4.1 million square feet are 81 percent leased.

And, there is good news on the horizon to report. There’s an apartment boom in Frisco with seven apartment projects currently under construction which will add over 4,000 new units when completed.

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Commercial construction continues to break ground. On February 20, Kroger Marketplace broke ground on a 123,000 square foot store on the northwest corner of Eldorado Parkway and Custer Road. This Marketplace store will create 250 new jobs in Frisco and be the first of its kind in North Texas.

Main Event, a 65,000 square foot family entertainment center on the northwest corner of the Dallas North Tollway and Main Street, held its grand opening February 15.

Frisco's new 145,000 square foot indoor sports center, Fieldhouse, USA, held a soft opening on March 6. The sports center, at

the southeast corner of Frisco Street and Sports Village Drive, includes 12 full size hardwood courts, 13,200 square feet of retail space, a food court, fitness center and conference rooms.

As for the future of the Frisco housing market, Mr. Cheney and Ms. Pardue believe a recovery and more stable housing market is ahead for this fast-growing city.

"I think we will start seeing some recovery in the housing market in 2009 followed by a much better year in 2010. The first-time home buyer programs will help our market in 2009," Mr. Cheney said. "First time buyers are eligible for

an \$8,000 tax credit if they purchase a home by the end of the year coupled with the historically low interest rates, it is a great opportunity for first time buyers." The tax credit is part of the Stimulus Plan signed into law by President Barack Obama. It is for first-time home buyers who purchase a home after January 2009 and before December 1, 2009. The amount of the tax credit is the lesser of 10 percent of the home price or \$8,000.

Mr. Cheney said with uncertainty in the stock market and job sectors, premium markets will continue to be challenged as buyers hold off on their big ticket purchases.

"As the entry level market improves it will help all of the price ranges as homeowners can sell their homes and move-up to the larger homes they desire," Mr. Cheney said. "As the stock market and economic conditions improve, I feel you will see the luxury market improve as well. You will see a rise in creative mortgage products such as guaranteed house payments if you lose your job. This will help hesitant buyers move forward even if they fear a job loss."

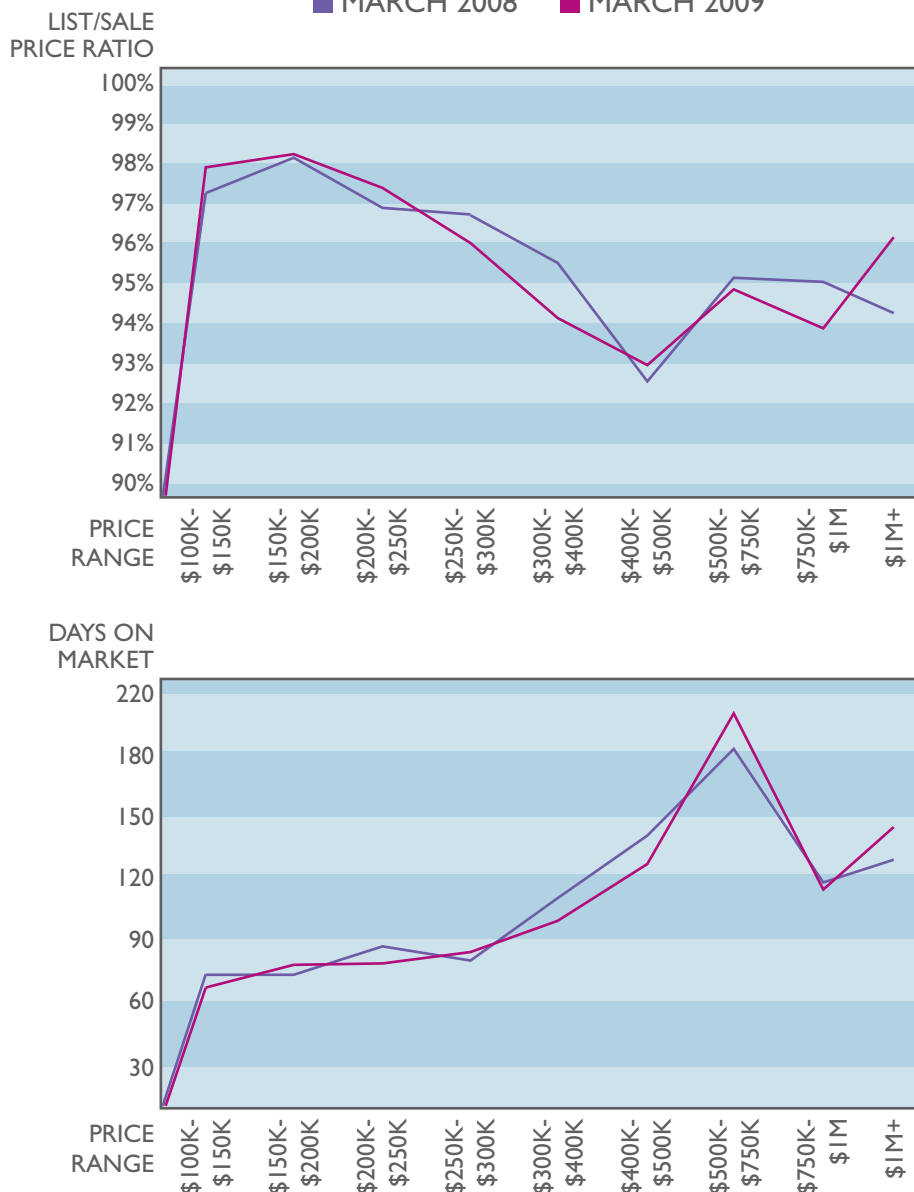
Ms. Pardue believes Frisco will work through the inventory of homes on the market and then the law of supply and demand will stabilize home values.

"Right now it would be great if Washington would quit talking gloom and doom. Although it helps them get their spending packages passed through Congress, it is having a negative affect on the real estate market by creating uncertainty and making people afraid to take action," Ms. Pardue said. "However, smart buyers are investing in this real estate market. There are some real deals out there and we have low interest rates. I advise my clients to look at the total picture. They may not realize quite the gain they want when selling their current home; however, we usually can negotiate more aggressively on the home they want to purchase. Viewing the sale and purchase as a whole, they usually come out ahead, especially if they are buying a larger home. This is the type of real estate market that two years from now everyone is going to say, 'I wish I had bought then.'"

*DeAnn Daley Holcomb is a frequent contributor to Frisco STYLE Magazine.*

### FRISCO TOTAL MARKET OVERVIEW

■ MARCH 2008 ■ MARCH 2009



market information provided by Michael Reese