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THE BUYER'S MARKET

Shoppers can get more house for their money across price ranges

BY GRETA GUEST • FREE PRESS BUSINESS WRITER • MAY 4, 2008

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Part one of a two-day series



As the spring home-selling season begins, metro Detroit buyers will delight in the high home inventory and falling prices: They will get more for their money in every price range, from location to amenities.

Much has changed since 2005, when the local market was at its peak. Places like Novi, Birmingham, Royal Oak, Ann Arbor and Sterling Heights, for instance, are more affordable now as home prices reach pre-2000 levels.

"Buyers are out there in this market, but they are looking for a deal. When they see the houses in the right range, they come out and start buying," said Paul Mychalowych, an agent with Keller Williams in Farmington Hills. "In the range of \$200,000 to \$400,000, you can buy in downtown Birmingham now. A few years ago, you couldn't touch it for under \$500,000."

Because metro Detroit home values and sales are down substantially from three years ago and interest rates have come down, the buyer's market is heating up.

Home prices have dropped 23.2% since peaking in December 2005, according to the S&P/Case-Shiller Home Price Indices. And Michigan home sales fell 26.5%, from the peak of 137,558 homes sold in 2004 to 101,094 in 2007, according to the Michigan Association of Realtors.

"Everything's on clearance now," said Amanda Callahan, an agent with Keller Williams in Plymouth. "People are putting in \$30,000 kitchens just to sell their houses and they don't get that investment back. This is absolutely the best time for first-time homebuyers to buy."



ROB WIDDIS/Special to the Free Press

Dan and Lyndsey Schwegler bought their home in South Lyon last year and rented out their Warren house. "My only motive was financial reasons. We liked our old house and put a lot of work in it," he said.

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HOW THE FREE PRESS DID THIS STORY

To compile the information for this three-part, two-day series, Free Press staff writer Brendel Hightower examined a sampling of southeast Michigan houses from Multiple Listing Services. The houses sold recently in six counties and were in various price categories. The analysis focused on owner-to-owner sales only -- not foreclosures or bank-to-bank transactions -- with sales prices within \$10,000 of the \$50,000, \$100,000, \$200,000, \$300,000 and \$400,000 benchmarks. More expensive houses had a \$50,000 range above or below \$500,000, \$600,000, etc.

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Time to upgrade

Dan Schwegler, 28, an actuarial analyst for AAA Michigan, and his wife, Lyndsey, 27, an actuary with an auto club, decided to give up their Warren starter home to grab a deal in South Lyon.

The Schweglers bought the 3,600-square-foot home even though they couldn't sell their 1,400-square-foot home in Warren. They leased it for the next two years in hopes that the market improves. But even if they lose money on the Warren house, they will more than make it up with the \$54,000 they saved on the new house.

"The person we are buying from is losing the same percentage-wise, so it is a huge gain for us," Dan Schwegler said. "We are planning on starting a family soon and we don't want to ever move again."

They were able to buy the 4-bedroom, 2 1/2 -bath house in the Lyon Ridge subdivision for \$358,000 after the original buyers backed out when their financing fell through.

"My only motive was financial reasons. We liked our old house and put a lot of work in it," he said. "But we are only going to move up and I doubt the market is going to get this bad again for at least a decade."

Now, the Schweglers live in a luxurious home with granite countertops, a large kitchen, a three-car garage, hardwood floors throughout and a master bathroom that makes them feel like they are in a five-star hotel every day.

Those amenities are not uncommon in the \$200,000 to \$400,000 price range. That money also buys you into better neighborhoods in cities like Milford, Pleasant Ridge, Chelsea, Ann Arbor, Birmingham, Carleton and Sterling Heights.

In the under \$200,000 price range, buyers can find many choices in communities such as Allen Park, Westland, Dearborn, Ypsilanti, Detroit, Howell, Harrison Township, Fraser, Clinton Township, Warren, Holly, Farmington Hills, Keego Harbor, Waterford, Monroe, Royal Oak and Ferndale, according to data compiled by multiple listing service Realcomp in Farmington Hills.

And in the \$400,000 to \$1 million range, homes in the more exclusive neighborhoods in Novi, Bloomfield Hills, Birmingham, Ann Arbor, New Haven and Northville are seeing price reductions as well.

"The market cool-off has made all these areas more affordable," said Mychalowych. "People are finding updated kitchens and bathrooms, stainless steel appliances. And builders are throwing in all kinds of incentives including landscaping."

Mychalowych said many buyers are still sitting on the fence waiting for prices to drop more. But trying to time the market can be tricky. Recently he sold a home in Birmingham that had been on the market for a year. The price started at \$350,000, but it sold for \$260,000 to a couple that had been watching it for a year.

Perry Gatliff, an agent with Coldwell Banker Schweitzer's Grosse Pointe office, said the east-side area is holding its value better than other areas, but there are still good deals. Recently he sold a home in Grosse Pointe Farms for \$135,000 to a first-time homebuyer who would have spent at least \$175,000 on the house three years ago.

And although homes priced above \$400,000 in the Grosse Pointes are selling, they take longer because the pool of potential buyers is smaller, he said.

Some great deals won't be around forever, said John Babcock, president of Babcock Homes in Commerce Township.

Plymouth, MI

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He said speculative houses that builders constructed when the market was at its peak -- those houses built without a buyer lined up -- are not being replaced when they sell. Builders are building almost exclusively to order now.

"We haven't put a new spec in the ground for a year and a half. I don't know of any builders who are building specs because there isn't any money in that now," Babcock said. "While the existing home market is still flooded with homes and foreclosures, the new home market seems to be drying up."

Detroit prices dropping faster

Maureen Maitland, vice president of index services at Standard & Poors, which issues the S&P/Case-Shiller Home Price Indices, said metro Detroit gave back price gains made in the market since January 2000. Then, the index was set to 100. By the end of February, Detroit became the only city of the top 20 nationwide with an index value of under 100, at 97.61.

"We have a nationwide decline in home prices that is occurring because of a 15-year run-up," Maitland said. "While all home prices are coming down, Detroit's are coming down more than others because of what is happening in the Detroit economy."

Dana Johnson, chief economist for Comerica Bank, said that from 2001 to 2005, Michigan house prices rose at a 3.5% annual rate compared to the national 8% growth rate.

"The implication for Michigan is that its housing sector will start recovering when the local economy begins to expand," Johnson wrote in an April 30 briefing. "I continue to believe that Michigan will finally begin to grow again in 2009."

Home sales fell 7% in metro Detroit in 2007 as the region lost 93,400 jobs over the past two years, according to Lawrence Yun, senior research forecaster for the National Association of Realtors.

Most economists are certain that the bottom of the housing market hasn't been reached yet, but some expect that to occur later this year.

"There is absolutely nothing in data out this week -- not from the Case-Shiller home price indexes or RealtyTrac's foreclosure stats -- that contains even a hint that the housing is bottoming out," said Bernard Baumohl, managing director of the Economic Outlook Group in Princeton, N.J.


Carol Copping, an agent with Real Estate One in Novi, said despite such reports, she is seeing more buyers out looking.

"We have really seen a tremendous pickup in the last month. Some of it is weather related," she said. "I think we are getting very close to bottom ... a lot of these homes are getting multiple offers, which we haven't seen, for like, [five years](#). I think a lot of people who were waiting have decided maybe now is the time to stop waiting."

Contact **GRETA GUEST** at 313-223-4192 or gguest@freepress.com. Free Press staff writer Brendel Hightower contributed to this report.

In your voice

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Newest first 



emugrad wrote:

I agree that many seem angry with this couple. However, many of us earlier

posters are just sick and tired of what the foreclosure situation is doing to our state and property values. We are not "jealous" of what they "have" (ie, only mortgages). Many of us are highly educated, have good jobs and more life experience. There are just too many red flags with their situation (haven't sold first house, relying on renters, possible children in the future). If you don't want people commenting about you, then, don't agree to a story and picture in the FREEP. I wish them luck, they seem like a nice couple. However, the only way to build true wealth is to LIVE BELOW YOUR MEANS.

5/5/2008 6:29:05 AM

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michiganguy99 wrote:

Sure people just let the home go into foreclosure rather than take the deal. That would make sense. These people are lucky with the timing and should take advantage of the circumstances. Me, I am buying a foreclosure, fixing it up and putting it up for sale as soon as I have the work done. Yes it will take some time to sell, but knowing that going in, I am prepared for it to take over a year to sell. I will live there, cheaper than my current rent. When it sells, and it will, think low price, everything updated, I will buy another. If you are priced right, have a nice home and are patient, the house will sell. Relax people the market will turn.

5/4/2008 11:22:08 PM

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CraigX wrote:

Why are people jealous of a nice young couple with good educations and money to spend? Sounds like the American Dream to me. Don't be haters even if you are jealous. Your children may end up with one of their futrue children, then they won't be so bad, right??

5/4/2008 9:36:32 PM

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lots2say wrote:

I am happy for the couple. I want a deal also. Right now, it is a buyer's markets. About 10 years ago, it was a sellers market! It is a cycle - ups and downs - winners and losers! Has anybody ever considered that when this couple purchased this house, they actually helped the local economy.

5/4/2008 9:36:21 PM

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Carrera4S wrote:

Maybe I don't "NEED" it. The fact of the matter is, "I WANT IT", "I CAN AFFORD IT" and to be entirely truthful it's really none of your business in the first place and you need to stop "HATIN" I bought the Porsche so it stands to reason that had I wanted to, I could have bought a POS ford focus. That obviously is not what I wanted.

5/4/2008 9:32:11 PM

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Bxerrrr wrote:

"Ditto"..... :-)

5/4/2008 9:12:39 PM

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megs301 wrote:

This couple got a great deal and everyone on this board seems jealous that they don't have the same opportunities as this couple. They seemed to have done their research and worked very hard for what they have. They are fortunate to be able to stay on top of the world in this tough economy and I personally envy that. Everyone leaving negative comments are writing them with a bit of jealousy. So what if their young?? That doesn't mean their stupid for making this move. There is no need to stereotype this couple because other young couples didn't make the same choices as they did.

5/4/2008 8:41:57 PM

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wangster wrote:

This guy looks like the kind of guy that could blow a big fart underneath the sheets at night after he's been eating chilli dogs at the ball game all day.

5/4/2008 8:33:35 PM

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onlyintheD wrote:

i wish i were in the D to get one of those 2-300,000 dollar homes cause they aint here. if they want to suffer in the D good for them. live the dream

5/4/2008 8:03:24 PM

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kaycee959 wrote:

TaxJunkie, all I can say to you is you really do not know this couple and what their circumstances are. Such a pity you can't be happy for a young, successful couple.
5/4/2008 7:33:10 PM

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