

\$49.00



*Smart homeowners know that a real estate recovery cycle presents many opportunities. They also know that timing is everything. This report explains how to capitalize on the emerging recovery to move up to the home of your dreams.*

# 7 Key Reasons

# SMART Homeowners

# Move UP

# at the **START** of a

# Real Estate **RECOVERY** Cycle



---

*A Special Report Prepared By Derf Fredericks*



**Derf Fredericks**

Licensed Broker, CRS / DRE# 491652  
(310) 792-0907  
derf@flash.net



3655 Torrance Blvd. Suite 420  
Torrance, CA 90503

*"Experience A World Of Difference!"*

# 7 Key Reasons Smart Homeowners Move Up at the Start of a Real Estate Recovery Cycle

**M**ost analysts, economists, forecasters and savvy investors will contend that we are in the beginnings of a recovery cycle in real estate. While some might dispute how fast or how vigorous that recovery is progressing, the consensus seems to be that the worst is over, a downslide appears unlikely and we are on the climb back to a more healthy real estate market.

As in any changing market cycle, there is opportunity for smart homeowners and investors. The challenge is (and history will bear this out) that opportunity is sometimes hard to spot, or sometimes, in order to capitalize on that opportunity, you have to go against the grain of what most homeowners and investors are thinking and doing.

## **Seven Key Reasons Why Now Is the Time to Move Up**

The goal of this report is to show that there is opportunity right now in the “move up” market, and to show you seven key reasons why smart homeowners are moving up now at the start of the recovery to maximize the opportunities available in the current changing market cycle. I urge you to read this report and see if there is opportunity for you. However, time is of the essence. The window on this move up market is limited. You don’t want to be looking back 6 months to a year from now kicking yourself for not taking advantage of opportunity that is out there now!

## **Setting the Scene**

These are incredible times for finding value in the real estate market. Here is the playing field: We are emerging from one of the worst housing crashes since the Great Depression. In most areas, housing prices have dropped precipitously since the peak of the housing bubble. Interest rates have been held in check at historic lows (for how long?).

## **How Smart Investors Are Already Capitalizing**

As the banks have worked through—and continue to work through—their inventory of REO and Short Sale distressed properties, many markets are seeing a scenario where savvy real estate investors (and those first time buyers who have the wherewithal and resources to buy) are taking advantage of the incredible values in the lower end market. Historically low prices combined with “fire sale” REO and Short Sale properties have presented great opportunities. Many investors have moved their investment dollar to the real estate sector knowing the time is right for purchasing investment and rental properties at huge discounts. As the market will recover, they will reap large dividends for their troubles and investment.

## **Recovery Stronger in Lower End Price Range**

True to historic trends, the real estate recovery is starting in the lower end market as smart first time buyers and savvy investors are taking advantage of market cycle opportunities.

## **How About Higher Price Range?**

But what about homes in the higher price ranges? These are the homes that yesterday’s first time buyers typically move up to as they take their equity and leverage it to climb up the social economic ladder and buy more home or move up to their dream home. Recovery is not in full bloom in this sector—yet.

But that is where this report comes in. I will show you why smart homeowners are moving up now at the start of the recovery and how this timing can also reap big dividends for them. Here are 7 key reasons why smart homeowners are deciding to move now:

## **Reason #1 Smart Homeowners Know It Starts with Something as Simple as Supply and Demand**

It's the most basic law of economics. It's so simple, but it's a strong driving force on pricing for every product and service produced in the United States. Great demand and low supplies translates into higher prices. It's true about iPhones and it's true about real estate.

Reason #1 why smart homeowners are moving up now is that they understand this principle and are looking long term. This perspective allows them to see past the gloom and doom headlines and the lingering fallout of the recession to know that soon, demand for the mid-range and upper range move up homes will grow—and therefore the prices will rise.

Why will demand for these homes grow? Consider these factors:

- Population is still growing in the US. Everyone needs a place to live.
- By the end of 2010, Generation Y will outnumber baby boomers and they will be looking for bigger homes to house their growing families.
- As the economy improves and jobs start to become available, people will start looking to move out of their parents homes and their cramped apartments.
- The building of new homes has been severely curtailed and has not kept up with demand. Many builders have been forced out of the business.
- Normally, as the economy improves, builders have been able to quickly ramp up to meet demand. Not so in today's economic climate. Builders have sold off their land or haven't been able to buy the land that they first have to

prep for their new developments. Funding is hard to come by to initiate the new construction. Tighter, more restricting regulations are being imposed by the government on new construction.

All these factors above are affecting new construction and thus affecting the supply and demand in the housing market.

## **Reason #2**

### **Smart Homeowners Understand How “Pent Up Demand” Will Affect the Marketplace and Their Investment**

All these factors above will be colliding with a “pent up demand” from homeowners who have put their move up plans on hold over the past several months (and years) due to fear of economic and real estate market uncertainty, or they simply don’t have enough equity to make a move. As the recovery starts to creep from the lower end priced homes to the mid-range priced homes and higher end homes, the limited supply of properties, driven by these market forces, will naturally result in higher prices.

According to James Gaines, a real estate economist with Texas A&M: “It is ironic, but there is a growing consensus that there may be a new housing shortage coming.” Gaines notes that just 672,000 new homes were started in April. He explains that this is half the long term rate to keep up with the nation’s natural population growth. Gaines also explains that the shortfall has been “masked” by the weak economy, but that as the recovery gains traction, this pent up demand could get cause unprepared local markets to experience shortages and rising prices.

The smart homeowner clearly understands that there is a very limited window of time to take advantage of the historically low prices as well as the historically low interest rates. They know that NOW is the time to purchase that move up property to get maximum value—and maximum return on investment years later when it’s time to sell again to downsize or move up to the next tier.

### **Reason #3 Smart Homeowners Know How to Turn a \$100,000 Loss Into a \$200,000 Gain. The Lost Equity Syndrome.**

Typical homeowners tend to point to the hit they have taken in the equity in their current home — moving up is simply not an option for them. They can't see that far down the road and envision how they could be able to sell and benefit from this pent up demand and low supply of available houses.

One of the key insights smart homeowners have is that they are able to look past the “lost equity” syndrome — countless homeowners are frozen in their tracks because they've lost tens and even hundreds of thousands of dollars of equity in their current home and can't possibly think of selling their home now and bearing that loss.

Smart homeowners understand that the homeowner in the higher price range home may have lost even more equity than they have. They understand that prices in this move up range have taken a bigger hit from the housing recession. As market place is going down, more expensive properties experience a larger drop in dollar value. A 10% drop in prices affects a \$150,000 home by \$15,000, a \$500,000 home by \$50,000 and a \$1,000,000 by \$100,000!

Granted, it's not easy, but smart homeowners can look past their lost equity and see great savings and value in moving up. Here's a particular case study/example of a homeowner I helped to move up to his next price range:

*Homeowner A purchased his home for \$499,000. He was despondent about how much equity he had lost from his purchase a few years ago. I worked the numbers for him and showed him how he could take a \$100,000 loss and achieve a \$200,000 gain when he purchased his move up home.*

*We ended up selling his house for \$399,000. We found him a beautiful five-bedroom, 3,400-square foot house with a three-car garage for \$615,000 owned by Homeowner B. Homeowner B's house was selling for \$825,000 two years ago when Homeowner A bought his house. By overcoming his mental barrier and selling his house for \$100,000 less than he paid, Homeowner A was able to move up to a dream home that was previously out of his price and capitalize on Homeowner B's \$200,000 loss—Homeowner A's gain!*

Smart homeowners understand the dynamics of the market and how those dynamics can present opportunities for savvy investors.

## **Reason #4 Smart Homeowners Know that Lower Interest Rates = More Buying Power**

Interest rates can fluctuate daily, but over the past several months they have been at incredibly all-time historic lows. Smart homeowners understand how much of an impact a fraction of a percentage point can have on their investment and their investment dollar. It affects their monthly payment. It affects how much home they can qualify for. It affects their ability to make a bigger jump when they decide to move up to a higher priced home.

Smart homeowners also realize these historically low interest rates cannot last forever. As rates rise, the end result is you are able to buy less and less house. Some economists and analysts predict that interest rates will inevitably rise as the market recovers and that the government will not “control” the low rates for too long.

During the beginning stages of a real estate recovery cycle, right before the recovery gains momentum, taking advantage of current historically low prices on the higher end homes and historically low interest rates is a smart move that will help you get maximum house for your dollar.

## **Reason #5 Smart Homeowners Know How to “Ride the Market Up” versus “Chasing the Market.”**

They say you really can't “time” the market. That is, you cannot pinpoint the perfect time to buy at the lowest possible price at the very bottom of the market or pinpoint the top of a housing bubble to sell for the most profit. The best you can do is to watch the economic indicators, track trends and make the best-educated decision you can.

You can also learn from past mistakes. Learn from history. The recent housing bubble was caused by a variety of reasons, but at the core was a consumer mindset: “We have to buy before we get priced out of the market!” This mentality drove prices higher still and created a fever pitch and a market where a home sold within hours of going on the market.

If you were one of the “Johnny-come-lately's” who jumped on the bandwagon at the peak of the bubble, just before the bubble burst, your timing was bad and may have been one of the countless unfortunate people who could not hold on to their home and lost it to foreclosure. If you got on early when the market was just starting to heat up, you didn't fare as badly and possibly did well (or at least kept your house).

The old adage, “Buy low, sell high,” seems like an obvious common sense guideline. But it was amazing how many people didn't heed that advice as they became part of the frenzy and purchased a home so close to when the bubble burst.

The consensus is these days that we're in the beginning stages of a recovery. Historically, this means prices will stabilize and as the economy starts to recover, we will see home prices start to rise. If you've been a student of real estate market cycles, you'll note that at the beginning stages of a recovery the lower end homes will start to stabilize and improve first while you might even see

some downward fluctuation on pricing for the higher end homes. The higher end homeowners won't see their value recovering right away. That means discounted pricing for smart homeowners who are ready to move up.

The key is that you can get better values right now in the mid to upper price range as the recovery starts to gain traction. Smart homeowners will "ride the market up" by buying their move up property early in the recovery cycle. Then they won't have to chase the market and will reap much higher dividends when the market approaches full recovery.

## **Reason #6 Smart Homeowners Know When and When Not to Play the "Waiting Game."**

As we've gone through the "greatest housing recession since the Great Depression," homeowners are being ultra-cautious about venturing out into the market whether to buy, sell or move up. And being cautious is always a good idea when dealing with one of the biggest investments you will make in your lifetime. A little bit of caution might have gone a long way with many of those over-anxious "we-better-buy-before-we-get-priced-out-of-the-market" home buyers who subsequently lost their home to foreclosure.

Being overly cautious can save your skin, to be sure. But it could also backfire and cost you in lost opportunity. Right now, many homeowners are weighing many factors as they struggle with what they should do. Many have postponed their move up because of uncertainty about the economy and the real estate market. After all, foreclosures and short sales dominate the news.

Smart homeowners looking to move up during the start of the recovery know how market forces are working and are watching trends. They understand that the dynamics are changing when it comes to short sales. Banks are getting better at managing them and setting pricing. Truth is, buyers are not getting nearly the

number of deals they were getting six months ago. This is further proof that the recovery is gaining momentum and that the window for getting the best value in the move up price range will inevitably start closing. Smart homeowners understand this and are ready to make the move rather than getting caught up in the “waiting game” and missing out on this opportunity.

## **Reason #7 Smart Homeowners Know Real Estate Always Has Been and Always Will Be a Great Investment.**

Many homeowners will agonize over when is the right time to buy their move up home. Smart homeowners believe we are in the beginning stages of a real estate market recovery and that it's a great time to make the move and capitalize on low prices, low interest rates and (many believe) an impending increase in demand in the housing market which will drive up prices.

The smart homeowners will undoubtedly be the ones who get on the ground floor of this market opportunity and not only get a great value and discounted price as they make the leap now, but will also reap huge dividends years later as they sell and enjoy maximum return on their investment. Smart homeowners tend to never be the frustrated people who wish they bought when the market was low or kick themselves for waiting and missing out.

Even with the “greatest housing recession since the Great Depression,” home prices are higher than they were 10 years ago. Truth be told, real estate always has been and always be a good long-term investment. What makes that investment better is having the opportunity to buy and sell at or close to the optimum time.

Smart homeowners know that now is the right time to buy their move up property. Every day you wait is lost opportunity.

*If you are wondering if now is the right time for YOU to sell and purchase a move up property, I am offering a free no-obligation consultation to discuss your unique situation. I'll be happy to go over some pricing trends in both your desired move up price range and show you pricing trends that are in your current price range so you can see the big picture and make the best decision that's right for you. I can answer any questions you might have and help you determine if now is the time to consider moving up or if it's better for you to wait. Call me today to schedule your free, no-obligation consultation.*

---



# Broker Profile

## Derf Fredericks



"Experience A World Of Difference!"

### Background:

Born and raised in the South Bay. Entered the real estate business at 21 with Fred Fredericks Realty, a family owned business started in 1957. Received broker's license in 1978, company ownership in 1982 and merged with **The Real Estate Group** in 1999. Married to Monica with 3 sons; Daniel (1983), William (1984), and Charles (1990).

### Education:

University of Southern California  
El Camino College  
Gardena High School

### Awards:

"Jaycee of the Year"  
"Outstanding Young Men of America"  
"Realtor of the Year – 1984"

### Real Estate Affiliations:

Torrance, Lomita, Carson Board of Realtors Past Service  
❖ *Director & Finance Chairman*  
❖ *B.O.R.P.A.C. Trustee*  
❖ *Professional Standards & Practice Committee*  
❖ *Arbitrator and Hearing Officer for ethics violations*  
❖ *President 1987*  
California Association of Realtors  
❖ *Past Director*  
L.A. County Board of Supervisors  
❖ *Assessment Appeals Hearing Officer*  
National Association of Realtors  
❖ *Certified Residential Specialist*

### Community Service:

Torrance Rotary – Past President  
Gardena Valley Kiwanis – Past Officer  
Olde Torrance Neighbors – Past President  
Torrance Jaycees – Past Officer  
Big Brothers of Greater Los Angeles – Big Brother  
City of Torrance – Retired Airport Commissioner  
Torrance Chamber of Commerce – Past Director  
Boy Scout Troop 948 – Charter Representative  
El Camino College – Real Estate Instructor & Foundation Board Member

### Greatest Achievement:

Charles, William & Daniel