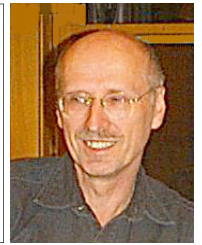


This is a monthly column on the real estate market and related issues in the upper Hudson River Valley by Roderic H. Blackburn, principal of R. H. Blackburn & Associates, Inc.—Real Estate of Hudson and Kinderhook, NY. It also appears in *Capital District HomeStyle* magazine.



THE REAL ESTATE REPORT

Learning from Mistakes

Experience is the best teacher; we know that, of course, from experience. The most indelible experiences are those which are the most intense - ask any war veteran. Those who have bought a home often have such experiences - with intended and unintended consequences. Whether emotional or material in origin, these mistakes are worth hearing about for the lessons they give. I want to share with you some instructive homeowner experiences, beginning with one I made myself.

Some years ago I dug out under the sills of an early addition to my house so I could have a cellar. Then I set forms for the concrete footing. When the concrete mixer truck arrived the driver couldn't get close enough. I yelled up to dump it all in the parking area and I would have my workman wheelbarrow it over. A couple of hours later I crawled out from the trench and found a huge pile of concrete three feet high and ten feet in diameter still sitting in the parking area, only part of the pile having been removed for the footings. Panicked I called around for a jack hammer to rent and luckily found one. I spent that evening and all the next day breaking up the pile just before it got rock hard.

Buyers tend to be more realistic about value than sellers. After all they have likely seen several houses and developed a pretty good idea of value. Sellers know the home they once - and likely still - love and so are biased in its favor, overlooking the inadequacies they have never addressed, or even noticed. In this case the opposite was true. The seller had a keen eye for fixing up her house so that its limitations were less obvious and was shrewd enough to believe she could then ask over the market and get it. The buyer, however, had not even been shopping for a house, had little basis for valuation, and responded with emotion to the cottage's warm sense of comfort. A double lesson in this: If you are selling, fix obvious deficiencies and enhance charm, especially if it is possible to do so using furnishings you can take with you. If you are buying, see at least ten houses before you choose one. Each house visited is a valuable lesson in valuation and in understanding oneself.

One well-healed chap bought a really simple farmhouse. He was enthused with the idea of flipping it for a good profit in the recent hot property market. The house was small and, knowing how weekenders like open floor plans and ample bedrooms and bathrooms, he engaged a crew to make it into the irresistible, ideal house. Walls were removed; insulation and sheetrock were added. That improvement looked nice, but, with patches that could not just be sanded and varnished, now the floors looked old.

So new floors were put on top of the old. Next the windows, original though they were, seemed sub-standard and leaky. They were replaced. The bedrooms now seemed low-ceilinged and small, so a wing was planned, or I should say another wing as there was already a poorly constructed older one. Down it came and up went the new on the old foundation. This allowed a big kitchen and entertainment room. But where to put the master bedroom and equally grand master bathroom? Given a choice, many buyers want these rooms on the first floor, but in our expanding house that would have required an addition meandering like a snake into the woods. So upstairs he built, with room even for a sleeping porch. Now he was done. Well, not really. Give a creative mind sleep time to work and it will come up with more ideas. The cellar was a mess with, however, the potential to be a great den, so it got thoroughly rehabbed.

In the end our homeowner had a big house costing much more than the old, now new, house. It was neither fish nor fowl, not an old house with charm, nor a new house with all the expected amenities. The property was now as unlikely to please period house purists, nor new house fans, nor was it like to please the "in-between" customer, given its necessary price tag. There were other houses on the market of equal size and more consistent design - and offered for less money than he had invested (never mind a profit). Confident in his aesthetic judgment and emboldened by funds to burn, his creative ego had a field day for over a year. Like public monuments, private ones cost; they don't pay. Understandably many new homeowners get creative joy doing over an older home. If you are not an artist or writer and have the means to do so, at least this is something you can do to experience a similar joy. Regardless, it is always better to mind your purse and talk over your project with others who have likely dealt with the same enthusiastic urges: contractors, architects, neighbors, and the house itself. Yes, a house will tell you as much as anyone what should be done with it - for your benefit as well as its own. You may think you need a "house whisperer" to read its mind, but you can learn how to do this also. The thrill of divining the intentions of the original builder can often be as rewarding as discovering your own, and in the process you may avoid many misguided and costly decisions, however "inspired" they may seem.

These days there is such a thing as a house too small to sell. Not so many years ago the average American house was 1500 square feet; today it is verging on 2500. One ranch house with a wonderful plot and fine view goes unsold because the type of people who desire the view and would gladly pay for it simply do not want small bedrooms. The current owners could easily have built a

wing on the back, as owners have done for centuries, but it appears often to be the case that those living in ranch houses just don't have the gumption to take on building projects. Many are in the retiring mode and building is in their past. Here is a special case where the cost of a major improvement might even pay for itself in cash, not just comfort.

Sometimes a loss has nothing to do with personal foolishness. One fellow bought a perfectly lovely big period house surrounded by farms and striking vistas. He fixed it up admirably and lived in it for a generation. By the time he wanted to retire and downsize to something smaller,

His house was a prize. Except for one thing: Developers had been buying up land nearby - not in sight - and putting up the usual eclectic range of pseudo-colonial homes. However appealing and functional for young families commuting to a nearby city, these homes were anathema to those from the Big Apple who would logically have been his target buyers. The desire of such buyers is for privacy and location in an area having relatively consistent historic style. Eventually the house did sell, but to a local delighted with a purchase price a lot lower than it would have been in another location or without its recently built neighbors.

The Do's and Don'ts of Buying (and Selling) a Property

1. As a prospective buyer consider "issues" the next buyer would object to when you sell the house someday. If these issues are not correctable (location issues especially), keep looking.

2. People accumulate a great deal of "stuff" these days. Better to buy a bigger house now than to find it too small later.

3. Visit at least ten houses, if only to refine your sense of what you can actually buy with your available funds - and to avoid overpaying.

4. If a house price seems too good to be true, it likely is. Either you are overlooking certain problems (condition, location, etc.) or your emotions are focused too narrowly on some particularly appealing quality.

5. If your first impulse on seeing a house is to say "Oh, we can do this, and this, and this..." the house may not have inherent quality. Sometimes no amount of money can reveal such quality. Keep looking.

6. If your partner is not as enthusiastic as you are, beware. One of the three components of the triangular relationship may yet be "rethought." (It could be you!)

7. If your first impression on seeing a house is positive, carefully count the problems. Don't rationalize them away, yet. If a bad impression, keep counting both the good and the bad.

9. More structures than you can use? A barn, garage, shed, shop, and/or silo? Keep in mind that what is useless today may become useful or even valuable later. Accordingly, keeping roofs intact may be a good investment.

10. Keep the "ideal house" for your area in mind - what most people are looking for even if you are not. The more you stray from those qualities as a buyer or fixer, the more trouble you will have when selling.

11. Time is money. Even seemingly unsaleable houses will sell - at a lower price, or eventually at the asking price. But "eventually" can be years with heavy time costs in taxes, maintenance, mortgage payments, lost investment opportunities, and personal effort.

12. Location, location, location. This old saw is as true as ever. Short of avoiding a house about to fall down, it is the most important rule of buying.

13. Know thy self. Socrates was right. If you have the intuitive ability to understand why you like this or that in a house, the better you will be at selecting the right one. A house is as much a relationship as a shelter. If it works, it is a "home." If not, it is hell - at least for you.

15. Fixing up a house pays in certain ways, not all. The social and psychological payback is more important than cash return for those who love their home. For the investor, or speculator, fixing doesn't often pay back very well unless the market price trend is powerfully with you.

16. In the real estate business sellers' agents are there to show houses. Buyers' agents are there to advise you, to warn you, to educate you. Commission costs are usually on the seller anyway, so which agent would you choose?

18. Selling? Clean up, fix up, make safe to an acceptable overall standard. Beware of major improvements; they rarely payoff because buyers have their own changes in mind and don't want to pay for your ideas.

19. Go over recent sales of comparable properties with your broker before you both agree on what market value is for your own. Buyers rarely overpay for houses; sellers should not assume luck is on their side. Think of the time costs of waiting to sell if you ask too much. Although it is always better to get the asking price "right" at the time of first listing, if no one comes to see your property, reduce your price until they do.

20. A furnished and decorated house will sell quicker - but only if it looks the way buyers imagine living in it. Know thy market well before deciding on this aspect of your property's presentation, especially if it going to cost you extra.