

# REAL ESTATE Connection

IT'S ALL ABOUT HAVING THE RIGHT CONNECTIONS

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## A Lawyer's Perspective

### Back to basics

BY DENNIS SCARDILLI

We have all had quite a ride over the past few weeks: stock market roller coaster; Wall Street bailout; Main Street credit crunch; housing market drop; and so on. In the face of all that, I want to share a different perspective.

At church last Sunday, the pastor spoke from the book of Jeremiah. The Children of Israel were in the midst of a rough patch, called the Babylonian Captivity. It's one of those stories that you hear and say, "Wow, I thought I had it bad; thank God I didn't have to go through that!" Jeremiah sent a message to those whose lives had been dramatically changed by that awful event. He essentially said: "Go on with your lives. Be at peace. Have faith. Get back to who you are called to be." That is the formula for addressing the current financial crisis facing the real estate market in South Jersey and in our nation.

I spoke about that idea with Drew Fishman, President of the New Jersey Association of Realtors. Drew has worked in real estate for over 24 years, lives in Absecon and was chairman of that city's planning board for 15 years. In our conversation, Drew pointed out that when it comes to real estate in this market, you approach the market realistically, strive for creative but common sense solutions and stick to basic principles.

We talked about the first rough patch that Drew experienced when he got into the real estate business, way back in the early '80's. Interest rates had approached 20 percent and sellers were often forced to take back second mortgages. He pointed out that we, the people, got through that one and that we'll get through this one, too.

Drew pointed out that the average home purchased in New Jersey seven years ago has

appreciated approximately 70 percent, even under current market conditions. He went on to point out that many, but not all, of the properties in trouble today had an element of market speculation in the deal. This includes speculative property flips, use of exotic financing instruments and purchase of the primary residence as a short-term investment. Drew contrasts such speculation with the traditional idea of buying a primary residence as your home. He believes that most homebuyers should plan on an intermediate term hold, use a mortgage instrument that makes sense and look at any investment profit as a potential future benefit.

Drew says that if homebuyers need to sell now, they should recognize that everything is relative. This is the same principal that I heard from my father, a leading local Realtor, 30 years ago. Don't worry that you are getting less than you want or need when you sell your home. The seller of the home that you want to buy feels the same way. Negotiate your best deal and move on. Whether you look back at that decision 10 or 30 years from now, you'll be glad that you went on with your life.

Drew believes that this is a great time for first-time homebuyers who are in a realistic position to purchase. The current market combines relatively low prices with numerous special programs that will help you with a down payment. Such programs include a federal tax credit for first time homebuyer assistance. Speak to a mortgage professional to find out if you are eligible for that program.

If you are a first-time homebuyer, be at peace with the responsibility that you are taking on. Consider your job stability and your personal finances. Then, do some research. Go to mortgage seminars, talk to Realtors,

talk to friends and family members who have been through this before you.

I can't even count the number of people who have come up to me over the years and told me that my father helped them buy their first home. Have faith that the children of many South Jersey Realtors, mortgage lenders, attorneys, homebuilders and trades workers will hear that refrain for many years to come.

If you are a real estate investor, look for opportunities to turn lemons into lemonade. If you hold investment property that you want to sell, Section 1031 of the IRS Code allows certain investment property to be sold, with capital gains taxes deferred if the investor buys another like-kind property within a certain period of time. Drew and I are not experts in Section 1031 exchanges by any means but we both have seen it used successfully. There are companies that specialize in Section 1031 exchanges and your accountant can guide you to them.

My talk with Drew Fishman highlighted important points about the current real estate market. We all need to get back to the basics of the American entrepreneurial spirit. We need to get back to business, to find creative and innovative means of buying a home, making investments in real estate and we need to move on with our lives.

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*Dennis Scardilli practices as an attorney-at-law in the Atlantic City area. The information in this article has been provided only for informational and educational purposes and is not intended to provide legal advice. For legal advice on this, or any other, topic contact a qualified attorney.*