

REAL ESTATE Connection

IT'S ALL ABOUT HAVING THE RIGHT CONNECTIONS

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A Lawyer's Perspective

Home, sweet home...

BY DENNIS SCARDILLI

When I took some mediation courses at Pepperdine University as part of my law degree, I came away with two important principles. First, "satisfize" instead of optimize. If you are at 60 percent of satisfaction, take it. Second, lawyers are called to be risk analysts when we write a contract, handle a closing or pursue a zoning variance for a client. The current real estate market requires you, the client to make a decision based on a reasonable degree of satisfaction, and our job, as your attorney, is to provide you with the risk analysis you need to make that decision.

The current "housing crisis" is both a wake-up call and an opportunity. Let's do some out-of-the-box thinking and help provide you with the risk analysis that you need to make those tough, but satisfying decisions.

The "housing crisis" causes me to realize that the amenity value of a home operates on a countercyclical theory just like that in the auto industry. When the economy nosedives, the auto theory says that used cars actually go up in value. While "pre-owned" homes are not going to replicate the price curve of "pre-owned" cars, you may want to consider an "amenity value" analysis of your present home.

Start out by looking at your home from two contradictory, but complementary points of view. First, get back to the future and look at your home as an amenity instead of an investment. Second, put on your thinking caps and sharpen your pencils before spend-

ing any money.

Housing has historically had an inherent shelter value throughout the world. It is her nest; his cave. Whether you live in a candidate for Architectural Digest or a modest rental apartment, your humble abode is your home. If you own your home, its functional utility as a home has a greater amenity value to you today, given the depressed market. Carefully consider the options if you need more house than you have in your present home before thinking that you can sell it for a bundle and upgrade or downsize.

Now the second viewpoint. The rule in housing, unlike cars, is that you do not want to have the most expensive house on the block. First, there was the dot-com stock slide that started at this time in 2000, then Sept. 11, 2001. That Day of Infamy for our generation was followed by subsequent interest rate reductions to the point where Return on Investment (ROI) on buying and selling single family homes was a better deal than playing the stock market. Capital migrated into real estate and everyone wanted to flip contracts, buy fixer-uppers and be a real estate investor.

Then the bubble burst. The current value of your home has now come back to an amenity value. So, now its time to take inventory of those amenities.

Whether you plan to sell your home when the market comes back or plan to leave it to your children, make a list of what you like and don't like about your home. Chances are that

many items would be on the list of the next buyers, whenever they come along.

Does your home lack a garage in a neighborhood where everyone else has a garage? Lack of a swimming pool does not typically repel buyers, outside of Scottsdale, AZ, but do you have a home that is otherwise the ideal place for kids (or grandkids) to gather and create memories? Do you have a magnificent view of the meadows and a postcard view of the A.C. skyline at night but millions of greenheads and gnats during the day, but no screened-in porch? Is your neighbor's dog taller than the rhododendron that doggie thinks is a fire hydrant? Then, maybe a fence is the amenity of choice.

You get the idea. Now, balance the amenity value to you and to a potential buyer. Only God knows how long you will be in the home. Even if you hope to stay there forever, consider the consequences before sinking any additional money into it. Does the amenity value to you provide a good return on investment? On one side of the ledger express that in terms of making your nest/cave a better home for you and your family. On the other side, compare the cost of that amenity versus how the amenity would affect the sale price of your home.

Over the next couple of weeks, I will look at how to calculate the latter, but will leave the former to you.

Dennis Scardilli practices as an attorney-at-law in the Atlantic City area.