



REAL ESTATE BASICS

BY STEPHANIE ALLEN, YOUNG LAWYERS CHAIR

“We need to go back to the basics that seemed to work for generations before us.”

Everyone has been impacted somehow by the slump in the real estate market. You may have a neighbor who lost their home to the bank or a friend who lost their job. The local and national news is all doom and gloom with stories about the increasing foreclosure rates and the plummeting stock market. For most young lawyers, this recession is the first recession we have experienced in our adult lives. Instead of dwelling on the negatives, we should look at this time as a chance to understand what has occurred and as an opportunity to get back to basics as it relates to real estate and land use.

A Few Real Estate Basics that Seemed to Work for Earlier Generations

1. Opting for traditional financing

Many homeowners today owe more on their home than it is worth. If they could have predicted the slump in the real estate market, they might not have purchased when they did. To make matters worse, over the last few years some people agreed to variable interest rate loans or, even worse, negative amortization loans on their homes so they could purchase more than they could really afford. Now, people cannot refinance their homes because their property appraises at less than the loan amount. The president and other elected officials are trying to find ways to save us from our poor real estate decisions, but no matter their fiscal decisions, we need to learn from our mistakes and try not to repeat history. We need to go back to the basics that seemed to work for generations before us. A 30-year fixed interest rate loan with a 20 percent down payment no longer seems like such a bad idea. As the real estate market recovers in Nevada, hopefully people will purchase real estate that they can afford with some financial basics in mind.

2. Living within our means

A few years ago, not only were people purchasing homes they could not really afford, but you would see people (many

of them in the real estate profession) driving around town in their brand new Jaguar, Hummer or Mercedes Benz. The real estate market was booming and business was good. People were spending money as quickly as they earned it. There was no end to the real estate boom in sight, so people did not feel a need to save their money. Today, you see car dealerships and other businesses closing their doors both locally and nationally because people are no longer buying things just because they can. Hopefully, they are saving their money and living within their means. The basics, like having a roof over their head and dinner on the table, are hopefully more important to people today than the type of car they drive.

3. Looking towards the future

Over the last few years, it seems residential and commercial real estate investors in Nevada have gotten away from their long-term investment goals and have instead looked for ways to make a quick buck. According to Wikipedia, the term investor “implies that a party purchases and holds assets in hopes of achieving capital gain or cash flow, not... for short-term income.” See www.wikipedia.org. As a zoning and land use attorney in southern Nevada, I can attest to the fact that many property owners over the last few years have acted as land speculators rather than land investors. In many cases, it is the land speculators, and not the land investors, who have gone out of business and/or who have lost their properties to the bank. The land investors are still holding their land, developing their land, planning for the future and looking for new opportunities. There are plenty of real estate opportunities available for those who want to get back to the basics of real estate and land use development instead of looking for the quick buck.

As young lawyers, I am sure we will see our share of real estate cycles over the years. Hopefully, we can learn from the current real estate slump and get back to basics as it relates to real estate and land use. **NL**

