



# Sub-prime Market Crisis Creates Unfounded Fear Among Buyers And Sellers

April 2007



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The recent crisis in the sub-prime mortgage market that hit the airwaves in March is the real estate topic of the year. By now, almost everyone has heard that some (not all) lenders have broken the “Golden Rule” of matching the right product to the right person. People who couldn’t truly afford certain mortgages were approved, resulting in non-payments and foreclosures.

But as a buyer or seller, should you be worried? The news reports make it sound like the real estate market is about to crash at any moment. While it is clearly evident that the sub-prime market collapse has affected a certain part of the market, it is not enough to create a market crash.

A crash happens only when there is absolutely no more demand in the marketplace. That’s not what’s happening right now. Yes, there is consumer concern. Yes, foreclosures are high. Yes, property values are taking a hit in certain areas.

But most mortgages are not sub-prime, meaning they were actually given based on a person’s true ability to pay. Therefore, most mortgages are supporting a healthy real estate market. Of course, you’d never know this fact by watching the nightly news.

The real keys to understanding a real estate market are:

- 1. Population growth.** Migration to this area is still strong.
- 2. Jobs.** Our current unemployment rate is under 5%. While we’d all love to see 0%, this is considered an overall good number. Anything below 5% means that people who want jobs can find jobs. The job market is very healthy.
- 3. Interest rates.** These are at an all-time low. No problems there.
- 4. Health of the economy.** Wall Street and the GDP are doing very well. Not a current issue.
- 5. Consumer concerns.** This is the weakest link. People are worried about unfounded fears based on sloppy reporting. With all these positive factors, the real estate market is safe. All the media attention is doing nothing but save your real estate investment, not harm it. If anything, the sub-prime crisis is a good thing because all the attention being placed on it is going to correct all the mistakes made by certain lenders. Not to mention put out of business the truly unscrupulous ones.

The bottom line: Real estate is alive and well. Don’t believe the negative hype.