



**WHY INVEST IN VACATION HOME/RETIREMENT HOME
REAL ESTATE IN NEW HAMPSHIRE NOW – RIGHT NOW?**

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REASONS:

- * **PRICES HAVE COME DOWN DRAMATICALLY**
- * **INTEREST RATES ARE AT AN ALL TIME LOW**
- * **HISTORICALLY, REAL ESTATE IS AN INCREDIBLE HEDGE AGAINST INFLATION**
- * **CONSTRUCTION COSTS HAVE FALLEN DRAMATICALLY - - GET MORE FOR LESS**
- * **PURCHASE THAT DREAM VACATION HOME TODAY AND HAVE IT LARGELY PAID FOR WHEN IT BECOMES YOUR RETIREMENT HOME TOMORROW**
- * **DON'T POSTPONE HAVING FUN - - LIFE IS TOO SHORT!**

Let's delve into each of these rhetorical statements and explore why you should act upon them now. I started marketing and developing vacation home/retirement home real estate in 1969 - - 40 years ago, and during my multi-decade career I have learned first hand that the value of real estate doesn't always go up. Please don't misinterpret this comment. Over the long haul, real estate has always gone up in value, but it does so in fits and spurts. And, as we have recently learned, as it gyrates, there are periods of time when values fall. But each time the values drop, they soon ratchet up usually higher than before.

Real estate is an economic instrument just like stocks, bonds and commodities. In cycles - - it rises, it falls, it plateaus, and like anything else that is bought and sold, real estate is constantly in motion. Your challenge, should you chose to embrace it, is to climb back onto the real estate roller coaster at just the right time, and right now is exactly the right time. Real estate has probably contributed more wealth to more people than any other financial instrument in our post World War II economy. But, as we all now understand, purchasing real estate does not guarantee the buyer a profit, at least in financial terms.

For real estate to turn a profit, it has to be purchased at the right time and for the right price. The buyer must be able to afford to carry it in good times and in bad. Leverage, or the ability to borrow against real estate, especially when interest rates are low, can be critical to realizing a reasonable return on investment. At times, that return can be extraordinary if the buyer's timing is spot on.

How do the reasons for purchasing real estate now listed above come into play today - - 2009?

PRICES HAVE COME DOWN DRAMATICALLY!



The single most critical factor impacting real estate prices are the effects of supply and demand. When the vast majority of the buying public woke up to the realities of being in a recession early in 2008, its decade long quest to purchase real estate, especially vacation home real estate, went into hibernation. Nationwide, developers were slow to react and in the early unrecognized stages of this recession the supply of permanent home and vacation home real estate kept growing. Ergo, lots of land, homes and condos with hardly a buyer in sight. Even a first year student of economics knows the bottom line of this type of imbalance in supply and demand - - great prices for those who have the fortitude and the means to act.

In fact, for the value oriented shopper, prices have dropped to 1990 levels when the savings and loans crisis paralyzed the real estate market.

Prices for developed real estate have fallen to the point at which you can own for less, and in some cases, measurably less than what it costs the developer to buy the raw land and put in roads and utilities.

Because developers need cash flow to keep their doors open, in both good and bad times, a discerning buyer with cash in hand and a ready trigger finger can make the purchase of a life time.

INTEREST RATES ARE AT AN ALL TIME LOW!



The recent announcement that the Federal Reserve will be purchasing up to \$300 billion of U.S. Treasury Bonds over the next six months has driven mortgage interest rates from the 6% level down into the 4 ½ % levels. This fact, coupled with the underlying and ongoing need for local and regional banks to fund their day to day operations, means that money in New Hampshire is readily available for qualified buyers who want to purchase quality real estate at reasonable loan to value levels. In other words, with 20% to 30% up front cash and a decent appraisal on property that enjoys a solid reputation in a well established location and environment, debt financing is readily available.

What's more, since mortgage interest payments are tax deductible, a face rate of 4 ½% for a person in the 35% tax bracket, nets down to an effective rate of +/- 2.9 %. At these rate levels, it can be argued that a buyer should borrow to make a purchase even if that buyer can afford to pay cash.

If you don't think real estate will appreciate in value at least 1% per year, a rate that completely covers interest costs at these incredibly low levels, you're out of touch with the past and you'll probably lose out in the future. Looming inflation, coupled with the demand factor that's still out there waiting in the wings in the form of the not to be denied "Baby Boomer" population, will ultimately push real estate values, including vacation home and retirement home real estate to new highs. Make sure you don't miss the train - - be on board for the next ride.

HISTORICALLY, REAL ESTATE IS AN INCREDIBLE HEDGE AGAINST INFLATION!



The FED, The US Treasury Department and the White House are spending money faster than it can be printed. There's one guaranteed, ultimate outcome of this freewheeling spending policy down the road, and that is serious and possibly rampant double digit inflation. Unless your dollars are invested in hard assets like gold and real estate your dollar based soft assets like cash, stock and bonds, will be worth less and less and less as inflation returns with a vengeance.

Holding real estate on a long term basis has always been an excellent hedge against inflation. If your real estate holdings have not been overly leveraged, and if you have had financial staying power, despite recent turn downs, your wealth has remained largely intact and you are positioned well to weather the current storm and to enjoy the prosperity that almost certainly lies ahead.

If one of your real estate holdings is a vacation home, you can add pleasure and enjoyment to the mix of attributes. You can't spend the weekend in the vault of your local bank caressing a bar of gold, but you can use and enjoy your second home real estate. And, when you are not using it, you probably can rent it out and use the income to significantly offset your costs of ownership.

CONSTRUCTION COSTS HAVE FALLEN DRAMATICALLY, GET MORE FOR LESS!

As demand for existing homes has fallen, so has the demand for newly built homes. In many parts of the country, builders are out of work so suppliers of building materials and specialty trade sub-contractors are "hurtin for certain." They want your business now! So, on top of great land values, homes can be built today at costs that range from \$20 to \$30 less per square foot than 18 months ago. This translates into a savings of \$40,000 to \$60,000 on a 2000 square foot house. Let's add up all the savings by charting a hypothetical land purchase followed by a home building program on that land.

<u>LINE ITEM</u>	<u>2007</u>	<u>2009</u>
Purchase Price of Building Lot	\$185,000	\$115,000
Contract Price to Build 2000 Sq. Ft. Home	320,000	260,000
Interest During 6 Month Construction Period	10,000 (+/- @7%)	5,000 (+/- @5%)
Total All Costs	<u>\$515,000</u>	<u>\$380,000</u>
<u>SUMMARY</u>		
Total 2007 Costs		\$515,000
Total 2009 Costs		-380,000
Savings - 2009 Costs vs. 2007 Costs		<u>\$135,000</u>

If the house is held for 15 years with a mortgage at a 4 1/2% interest rate, this \$135,000 savings realized by taking advantage of today's land and building costs would translate into an additional out of pocket savings of \$6,750 +/- dollars per year in interest costs or a total of \$91,125 +/- over the 15 year period. Together with \$135,000 of savings up front, the total saved under the scenario of purchasing at today's prices and financing at today's interest rates approaches \$250,000 over the life of a 15 year mortgage and even more over a 30 year mortgage.

If a buyer waits to pull the trigger on purchasing today and high inflation begins to take hold tomorrow, there is no telling where costs and interest rates might go. One thing is sure, however, it is virtually inconceivable that building costs, land costs, and interest rates will go much lower. Waiting any longer to lock in current costs and interest rates is a big roll of the dice with little if anything to gain by procrastinating.

PURCHASE THAT DREAM VACATION HOME TODAY AND HAVE IT LARGELY PAID FOR WHEN IT BECOMES YOUR RETIREMENT HOME TOMORROW!



If you're like hundreds of thousand of other New Englanders, for nearly four decades, you and your growing family have been taking ski trips to the White Mountains. Then, like thousands of New England golfers, you heard about Owl's Nest Resort & Golf Club, this terrific 18-hole track up near Loon Mountain and Waterville Valley so you and three of your buddies decided to try it out. Now you come up three or four times a year to play golf because you are hooked on the location, the views and the quality of the golf course.

In fact, your wife and a couple of your kids are playing golf now, you've been renting a home or condo at Owl's Nest or some other White Mountain resort for a few weeks every year. And, the thought of owning a place for your growing family is creeping into your conscious mind. Who knows - - New Hampshire has a great tax climate with no income or sales tax - - maybe it makes sense to consider retirement at Owl's Nest ten or fifteen years from now.

What's more, you now understand that a pretty nice income stream can be generated from rentals when you're not using the place yourselves. Between rental income and tax savings from mortgage interest and property tax deductions, many thousands of dollars a year can be generated, bringing costs of ownership down to a very manageable, affordable level. And if President Obama keeps his word and raises marginal tax rates, as has been discussed, the tax savings may be even higher tomorrow than they are today.

And perhaps - when it comes time to retire in ten to fifteen years, a big chunk, and possibly all of the principal will be paid down. When it's time to sell the primary home down country, and you put some of the proceeds into paying down the mortgage on the second/retirement home, you could easily be mortgage free for your golden years.

Does this sound too good to be true? It's not! This very scenario is being played out at Owl's Nest right now by dozens of fifty and sixty something's who bought at Owl's Nest over the last decade and who live at Owl's Nest full time today.

For folks who are planning ahead by buying homes or condos now or purchasing land and building at today's prices, tomorrow will pay huge dividends and rewards. Don't be one of those people who lament the past by saying ten years from now, "*I had the chance, but I blew it.*" Or worse, by articulating the often repeated refrain, "*If only I knew then what I know now!*" To quote another trite, but true expression, "*History repeats itself!*" Northern New England real estate, especially quality developments in time tested regions like New Hampshire's White Mountains served by excellent highway access like the Interstate 93 corridor, will be coming back strong and soon.

Set yourselves up for the future by nailing down a piece of land or a small home or condo at today's ridiculously low prices and be well ahead of the game tomorrow.

DON'T POSTPONE HAVING FUN - - LIFE IS TOO SHORT!

Earlier in this article, I wrote about the fact that certain types of real estate, unlike gold or stock certificates or treasury bonds, can be used and enjoyed at the same time as it is increasing in value. I purchased a small island home on Lake Winnepesaukee back in the early 80's for an all in price, including renovations, of \$58K. Today, even in the current down market, that home has increased ten-fold in value. But the real value of that home has come from the memories of times spent having fun with family and friends and the promise of many more good times to come. Owning property at a golf course, next to a ski area or near a body of water is an investment in your quality of life that should never be postponed if you have the financial ability to make that investment.

I believe there has never been a better time to purchase real estate and I am absolutely confident that the open window is in the process of starting to close. Don't get caught on the outside of that window looking in!

Thomas Mullen, the author of this article "*Why Invest In Vacation Home/Retirement Home Real Estate Now - - Right Now!*" is the Master Developer of the award winning Owl's Nest Resort & Golf Club located in Campton and Thornton New Hampshire. Mr. Mullen has been developing, marketing and managing real estate communities in the White Mountains and the Lakes Region of Central New Hampshire for forty years. Other notable projects have included The Grouse Point Club in Meredith, New Hampshire and The Mill At Loon Mountain in Lincoln, New Hampshire.