

# When It Comes to the News, It's Easy to Twist Things.



## Shock sells.

No one can deny that the housing market has recently been through rocky times. The situation is improving, but news media reports often distort and exaggerate problems by focusing on the most negative aspects of the real estate industry. Good news, such as rising home sales, improved affordability, historically low interest rates and government tax incentives for homeowners, is frequently buried behind front-page predictions of doom and gloom.

## Be skeptical.

If you're feeling skeptical about what you hear in news reports, you're not alone. According to a survey by the *Pew Research Center for the People & the Press*, just 29 percent of Americans perceive that news organizations generally get the facts straight. A staggering 63 percent say news stories often are inaccurate. About 70 percent of those surveyed believed news organizations attempt to cover up their mistakes. That may be part of the reason why newspapers nationally are facing steep reductions in revenue as consumers look to alternate sources of information on the Internet.

## Are Risks Exaggerated?

Forecasts of disaster fail to mention that real estate values run in cycles. For people who are planning to own their home for more than five years, the risks of selling at a loss are relatively small. Over the long term, home prices generally rise, making homeownership an excellent long-term investment. Buying a home and building equity is the chief means of building wealth for most people. Homeownership remains the American Dream.

The recent downturn has forced real estate investors to recalibrate their expectations. People who purchased near the peak of the market may have seen values dip below their purchase price. However, prudent buyers now are finding great purchase values that will pay off in the long run.

## Fear Makes Headlines.

Don't be surprised to find good news about the real estate market buried deep inside newspapers or masked beneath

intimidating headlines. For example, on Oct. 28, 2009, a story in the *New York Times* bore a headline that read, "Fears of a New Chill in Home Sales." The first paragraph said there was cause to believe the market would be severely tested over the winter. It quoted an economist who expected "plenty of pain to come."

## Look around...

### Nine Consecutive Gains for Pending Home Sales

*Pending home sales have risen for nine months in a row, a first for the series of the index since its inception in 2001, according to the latest survey. In September, the Pending Home Sales Index increased 3.7 percent from 110 percent to 114.1 percent. That figure is 31.8 percent more than October 2008, when it was 86.6 percent. The rise from a year ago is the biggest annual increase ever recorded for the index, which is at the highest level since March 2006, when it was 115.2.*

The same news story noted that the National Association of REALTORS® found **September sales of existing homes in the United States were up 9.4 percent from August.** The problem was that the positive news was buried so deep that the information could have been easily missed.

However, if you read to the end of the story, you learned that Karl E. Case, one of the creators of the Case-Shiller index of home prices, thought that the housing market already had reached its bottom. **He said housing was as affordable as it had been in 20 years.**

On Nov. 24, 2009, a story in the *Wall Street Journal* carried the headline "1 in 4 Borrowers Under Water," meaning that they had paid more for their homes than they presently were worth. The story failed to explain that it is common for prices to ebb and flow. Five paragraphs into the story, the author revealed that **most U.S. homeowners still have home equity and that nearly 24 million owner-occupied homes don't even have a mortgage to pay off.**

The Associated Press on Nov. 10 reported that home prices fell in eight out of every 10 cities nationwide during the third quarter of 2009. If you read to the end of the story, you learned that **the federal tax credit of up to \$8,000 for first-time homebuyers helped sales grow in 45 states,** compared to the second quarter, with 28 states posting double-digit gains.

## See a Pattern?

The news media has a way of making good news sound bad. It's no wonder why real estate professionals can become frustrated when discussing how the press has covered their industry.

# MAKE SENSE OF IT ALL.



Newspapers and broadcast outlets tend to emphasize bad news for a couple of reasons. First, many reporters genuinely believe that their mission is to report what people need to know. Among journalists, problems are regarded as more important than positive stories.

Second, among many news reporters and editors, good news generally is considered to be routine, if not boring. The news media is a business competing for ratings and advertising dollars, and emphasis on the negative aspects of their stories tends to be more effective in attracting the interest of their audience. Reports of foreclosures, failing loans, real estate scams and falling prices are emphasized while the good news about the market is frequently downplayed or even ignored.



## YOU CAN FIGHT BACK!

In recent years, there has been a major shift in the way people get their news. Technology has empowered us. Thanks to the Internet, we can reach out to hundreds of sources of information, traditional and nontraditional. Newspapers and their web sites don't have to be the final destination in the quest for knowledge about current affairs.

A generation ago, news editors often prided themselves in telling readers what they needed to know, not what they wanted to know. No more. Newspapers around the country are scrambling to remain relevant by providing the type of content that their readers deem essential.

Increasingly, news web sites are offering links to outside content to help readers conduct their own search for the truth. Blogs have given a voice to thousands of ordinary people. Many online news sites now rank stories according to reader interest and offer online forums where readers can weigh in with their own opinions about news reports.

### KEEP A HEALTHY SKEPTICISM

Try to maintain a healthy skepticism about what you read and hear regarding the housing market, whether it's good or bad. For a more balanced view, become an educated consumer. Talk to your trusted real estate professional who was referred to you by people you know. Make sure you get your information from more than one source. If you hear something that sounds inaccurate, don't be afraid to check it out for yourself. You may come away with a new perspective.

