Realtors sound off on state of economy

This is the third of a three-part series of interviews with area real estate brokers. Mel Durbin of the Durbin Co., Bob Gavey of the Chamberlain Companies, Steve Pew of Max Broock Inc. and Dick Weir of Weir, Manuel, Snyder and Ranke were intereviewed by Observer & Eccentric editors Ron Garbinski, Kathy Moran and Dennis O'Connor.

DO YOU anticipate a turn around in home buying with a lower interest rate soon? Do you anticipate a lower federal deficit?

DURBIN: You have to be careful on that because the lower interest rate without the money is no good.

WEIR: The lower interest rate isn't going to happen unless the deficit comes down. The government has to get its "act together" and get themselves operating inside their income before anything else can happen. You say, "When is that going to happen?" Who knows?

PEW: When Wall Street and (Federal Reserve Chairman Paul) Volcker combined feel that Congress is finally starting to get their "store in order," then I think Volcker will finally say "OK, I'll start easing this thing." That puts him up on some throne as some omnipotent god. He is not the total answer, obviously. It is a combination of Wall Street, bond interest rates, all these kind of things.

GAVEY: When consumer confidence comes back and people feel more confident about their jobs and confident about selling that smaller house to buy a larger house, you will see more of an increase in the market.

PEW: I agree with most prognosticators who say that Michigan is going to be slower to come back than most other states. I think the country is going to turn around, but I don't think it will happen in a hurry.

Does that go back to your one-industry town concept?

WEIR: We still are a one-horse town. We're dependent on the auto industry. It's not only here. I was down in Arizona. The largest copper manufacturer in the nation, miner and smelter, was shutting down all of their mines and all of their smelters. This was big negative economic news for Arizona. That's their leading industry after tourism. The reason they were shutting it down was because the demands for housing and automobiles were so small that they couldn't sell copper for the cost of mining it.

The lack of sales of automobiles from this state has finally gotten to Arizona hitting them in their copper industry. This has happened in housing. It has hit the lumber industry in the northwest. Tires are down. Steel is down. Glass is down. The reason being is that one out of six or seven gainfully employed people in the nation owe their jobs to the automobile industry either directly or indirectly.

When this industry goes down, just like C. E. Wilson said, "What's good for the nation is good for General Motors." It's reported that what he said was, "What's good for General Motors is good for the nation." It was a deliberate twist and it gave him a very bad "black eye" that he did not deserve. But what is good for the nation is good for General Motors, or the automobile industry.

PEW: We are sitting here, right today, looking at the cuts for higher education. (Recently,) I was in the University of Michigan Graduate School of Business Administration to talk about U-M pulling out of the real estate education program. That's just "small potatoes" compared to the whole graduate school of business administration. I think we forget what a terrific and tremendous resource that University of Michigan is.

When you start talking about budget cuts in the state of Michigan, and $85 million has to be cut out of the budget, is that going to make Michigan just another university instead of one of the top four or five in the whole country it always has been? These interest rates have a very big effect on all of us.

WEIR: Everything we are saying about the nation, we can repeat about the state. The state is broke and that's all there is to it. It hasn't got the money.

We're talking about automotive people being laid off and companies closing down, what's going to happen to real estate firms? What's going to happen to smaller brokers?

PEW: You are looking at four smaller brokers. We are small businessmen.

Small businessmen due to the fact that you have offices here and offices there, offices all around. What's going to happen to that one office broker or that one office that may have three or four salesmen working for them? Are they going to go out of business?

WEIR: Not necessarily. It depends on how good they are. If he's got four real good salesmen, he will sell enough real estate to pay the bills and stay in business. If he has four poor salesmen who don't sell, he will go out of business. Big or small has not much to do with it.

GAVEY: We are just going to learn to run our businesses more efficiently. We're already doing it like any other entrepreneur. Our country is going to get more productive. We always have. We are going to do it again. Our industry will. The automobile industry will; it is in the process. The Japanese imports have hurt us.

The net result is that we are going to have better cars. We are going to have increased productivity which has been a problem in this country during inflationary times, when everyone wanted more, but expected to give less. That is going to change. The companies that don't change won't survive.

Is there a psychological barrrier to the public accepting creative financing terms?

DURBIN: Another problem we are running into is that the public, either through lack of education or whatever, has not accepted any of the new alternatives such as variable rate mortgages, equity sharing mortgates where the lender shares the profits. So we're back to our basic instruments that we have been using for three years.

WEIR: Uncertainity. They are tied to treasury bills or abstract figures. They are decided by an interest rate or some index or another that can go up or down. If you have one and you buy a house that has a 70 percent mortgage and it goes down, your mortgage rates go down. If you buy a house and have a 14 percent rate, and the rates for that index goes up, your mortgage rates go up. It's the uncertainty the public doesn't like. The public can't print its own money to cover it.

GAVEY: You have 40 or 50 years of people who have had a fixed rate 25 to 30 year mortgages. They knew what the interest rate was going to be, what the monthly payment would be and that was it for as long as they had that mortgage.

WEIR: I see a retreat in this area. Years ago, the maximum mortgage that you could receive around here was from an outfit called Birmingham Federal Savings & Loan and it was for 60 percent of the apraised value for 20 years. That was it. That was most money you could borrow on that house. The homeowners had a healthy investment in their house. There was a shorter term on the loan and a higher percentage of each monthly payment went to principle rather than just interest. It meant they acquired a large equity in the property on top of their downpayment. It was a healthy thing. Requirements of the marketplace over the years changed that 60 percent mortgage up to as high as 95 percent and the term from 20 to 30 years.

One way in which they could make more money available, which would be a benefit around here, would be to get them to loan at a fixed rate for 20 years with a 60 percent mortgage. We could do business with that. I'm not suggesting this would be a help nationwide, but it might help Birmingham, Michigan. That's maybe one way they might be able to do something that's a little bit less inflationary.

DURBIN: The average home is only held only eight years. If you have a 20 year mortgage, and it is paid off, you have had 2½ buyers. In reality, what happens is every eight years, either someone assumes it or it is paid off. The length is not the key factor. The amortization and the constant monthly payment is.

Are we going to see more shared equity and more pension investment in mortgages? Are we going to see more of those concepts?

PEW: Yes, the federal government is starting to loosen up some of that pension money toward mortgages. That's an uncapped source at this time in terms of residential mortgages. They have been lending in large commercial ventures.

WEIR: There will be some trades. But it will not be a large part of it. It is something a seller will do if he has no alternative.

What you are saying is all these different methods of creative financing are really short-term reactions to the marketplace?

DURBIN: They are reactions to the marketplace. And they are not accepted by the public.

So the conventional mortgage will still be with us?

PEW: Yes, but it will no longer be fixed rate.

DURBIN: That's the tool upon which the economy and the housing industry improves. The fact that people could budget their money. It got carried to extremes when they started leveraging.

WEIR: It was the growing intelligence of the younger generation to get leverage. It turned out that going out on that "limb" turned out to be not very good advice.

What type of house do you see being built?

DURBIN: They are playing games, but they are going back to the basic box with very few partitions and smaller bedrooms. But again for these smaller homes there are very few plots of land that are zoned for a 50 or 60 foot lot. You have to have an 80 foot lot. It is this whole issue of communities zoning even the middle class out of the home-buying market by two, three and four acre zoning. The no-growth policies of some communities have got to change. Houston is one of the fastest growing communities in the country. Did you realize the city of Houston has no zoning laws? You can build anything you want anywhere you want.

Dunleavy's gets robbed—again

By Craig Piechura
staff writer

Dunleavy's Pub in Farmington was broken into for the second time in three weeks Tuesday morning. The break-in was reported to police by a janitor.

In Tuesday morning's break-in the thieves took a considerable amount liquor supplies and also broke into a cigarette machine and a video game, taking a small amount of money from cash trays and $100 in a money bag. However, they were unable to crack open a safe where the night's receipts were stored.

Total loss — including the damage caused to the machines — was estimated by the owner about $1,400. None of the damaged or stolen items were insured, according to owner Jack Dunleavy of West Bloomfield.

"I was downtown 18 years and didn't have this kind of B&E (breaking and entering) problem," Dunleavy said. "Of course, we had other problems (downtown) such as cars stolen and purses snatched but not this.

"It's a sign of the times. You've got a lot of kids, a lot of adults, not working. Whether that breeds crime, I don't know. I'm not a crime expert. But it must have something to do with it."

POLICE OFFICER Duane Cowger noted that the safe was hidden under stairs and covered materials.

"It appears as if culprits knew where the safe was," Cowger said.

Two sets of footprints were found in the grass behind the restaurant by police. Fingerprints were taken but were useless because they were smeared, police said.

The June 22 break-in happened when Dunleavy was in the restaurant sleeping between 2:30 and 4:30 a.m. In that incident, Dunleavy reported that a cash drawer was taken from his office while he was asleep in a chair. The tray was recovered behind the restaurant but $2,050 was reported stolen.

Carves his way

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"How can you put a price on it? The more fame you have, the more value you can place on your work,"said Boshell, who wears a small wooden chain saw around h1s neck.

"I'm one of only five people doing this in the country that I've heard of since I began doing this 11 years ago."

It still "hurts profusely" when Boshell's work is criticized, but he says you have to "learn to say 'tough apples' and walk to the tune of a different drummer."

Where the real satisfaction comes from, is "making money and getting the approval of others. "People ooh and ah because what I do is a natural thing. I take what man has destroyed with smog, the encroachement of the freeways and the destroying of the environment and transform it into something of a person's choice, whether it be a gnome, ice cream cone, pelican or boat trophy.

"It's a challenge."

Adds Boshell, "All it takes to find satisfaction is being persistent.

"Absolutely everyone has talent. A lot depends on practice, the degree and direction of talent. Not everyone can be a Sara Vaughn or Picasso but they can be good if they pursue it. What you make of life is in exact proportion to what you put in."

Hills girl is raped

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The driver, described as white, 35, 6 feet tall, dark-haired with a patch of grey in the back, had a large nose and wore a denim jacket.

A large pair of dice hung from the car's mirror.

The girl told police the driver gagged her before the passenger re-entered the car, and the three traveled west on Grand River to Freedom Road, then into a subdivision.

About 10 p.m., the girl was driven to 10 Ten Mile and Orchard Lake roads where she was ordered from the car and her bike unloaded.

A Farmington Hills police officer later met the victim at Botsford General Hospital.

The girl told police the attack may be related to a telephone threat she received recently from a 19-year-old man she had met at the park.

The man, a resident of Botsford Apartments, began harassing her by telephone after she told him she did not want to associate with him.