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St. Louis Daily Record/St. Louis Countian (St. Louis, MO)

December 10, 2004 Friday

## Missouri investors see real estate as attractive alternative to Wall Street

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Many investors were burnt by the dot-com bubble burst during the immediate years of the latest century change, so they began looking for other places to put their money. Some might have considered taking a lesson from their grandparents and place their savings under the mattress, but an overall more financially savvy population remembered that such measures are not economically sound.

Some one-time Wall Street watchers found that the surging real estate market proved to be a profitable investment choice as well as an opportunity for more Americans to own homes than ever before in the nation's history. Whether buying property and returning it to the market for a profit, or simply banking on the increased values of a residence over the long haul, more and more homeowners found themselves putting more money into their homes than had been expected.

According to research conducted by U.S. News and World Report the buyers of median-priced homes in 1990 had committed 2.6 times their family income to that piece of property. By 2003, the median-priced home consumed 3.2 times the family income. The increased costs resulted in more people in effect being owned by their homes rather than being traditional homeowners.

When base prices began to increase faster than maintenance costs for residential real estate, those who had seriously considered the idea of expanding investments into multiple pieces of property suddenly realized that such a plan would probably not be realized. Yet the idea of investing in real estate and construction was not completely dashed as homeowners learned they could put their money into the actual businesses that helped expand overall home building and sales.

Last week HouseValues began offering stock purchases on the NASDAQ National Market with opening prices of \$10 to \$12 a share. This company set an initial price offering at 4.8 million shares, which was expected to net proceeds of \$57.5 million. Company officials noted that they had posted a positive cash flow since 2001 and consistently increased levels of revenue. This company earned \$33.3

million during the first three quarters of 2004. HouseValues stressed its seriousness of becoming more of an investor-driven organization by releasing a statement that targeted member real estate agents who were not satisfied with this and other undisclosed "shifts" in their sales model. If they did not like the change, agents were told that they "may choose not to extend their contracts for our services."

Industry observers noted that example areas of what might be considered behind-the-scenes real estate investing could include buying into publicly held companies that supply builders with air conditioning and heating systems, siding materials, cement and asphalt supplies, electrical services, lumber and masonry products, utilities and even pieces of hardware that often go unnoticed in newly built or remodeled homes.

Example companies mentioned, but not necessarily endorsed, for this manner of real estate investing included Holcim, which reported an 8.8 percent increase in net sales for the first half of 2004, while operating profits grew 21.2 percent for this foundational materials producer.

St. Louis-based Ameren Corp. confirmed its investment value by stating only that it provides energy services to 3.2 million customers in Missouri and Illinois.

Home Depot became the world's largest home improvement retailer since being founded in 1978 by offering products and services to both professionals and individual homeowners and proving itself to be a solid investment.

"Our company's continued strong financial performance, as evidenced in our record third quarter earnings [which produced a return on investment capital of 21.4 percent] supports [our] Board's decision to continue to return value to shareholders through dividends and [our] share repurchase program," said Home Depot Chairman, President and CEO Bob Nardelli in a printed statement. Home Depot has paid a cash dividend for 70 consecutive quarters. Fiscal 2003 sales totaled \$64.8 billion.

Real estate attorney William Bronchick is supportive of investing in real estate on its many levels but has repeatedly warned potential buyers to not assume what happened yesterday with a given company will take place again tomorrow. He said investors make a common mistake when they buy into a company without first investigating the stock offering and the business it represents. Bronchick advised that investors have strong cash reserves before buying into real estate and construction industry stocks. This is a business, this expert said, and to be successful one must work at it just as if it were any other job.

Real estate and construction experts support public investments in their

industry but advise would-be investors to first seek counsel from a legal or financial expert before shares are purchased.

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