

Live Large, Think Big, Skip Town

By BEN FOUNTAIN Published: October 9, 2010

Dallas



THE “Welcome Back, President Bush and Laura!” yard signs have for the most part disappeared from my North Dallas neighborhood. They were starting to look a bit worse for wear, and anyway the time has come for the new crop of midterm-election signs. The “Had Enough? Vote Republican!” model is so popular this fall, you’d think a kind of amnesia gas is seeping out from our storm-sewer drains. But then a strong sense of the past has never been a signal feature of the Dallas psyche.

These days you see about as many “For Sale” signs as the political kind. Two years after the bubble burst, Dallas residential real estate is “stale,” as my Realtor friend Peggye Johnson put it. I caught up with her one Sunday afternoon at an open house in Little Forest Hills. Comparing the current bust with the savings-and-loan meltdown of the 1980s, Peggye declared: “This is worse. You had 100 percent financing, sometimes even 105 percent. You had lots of people getting loans who had no business borrowing money. And everybody knew there was massive overbuilding going on.

“That’s why,” she gently but firmly added, “I’m a big fan of banking regulation.”

A few potential buyers wandered through, one sporting an “I’m Having an Out of Money Experience” T-shirt. Peggye asked another prospective client his price range. “This, and lower,” was the gruff reply. Prices in Dallas haven’t suffered a Vegas-style plunge — maybe because we didn’t get the extreme highs — but the numbers, as even a cursory crunch of the multiple listing service shows, are bad enough.

Take, for instance, foreclosures in the outer suburbs and blue-collar neighborhoods. As of mid-September, 10 percent of home sales in Plano this year have been foreclosed properties; in Rockwall and Rowlett, upward of 25 percent; Mesquite, a blood-curdling 45 percent.

But the numbers don’t tell the whole story, as with the Plano foreclosure whose listing describes these recent repairs: “replace carpet, repair all drywall holes-blemishes, remove all wallpaper, complete int. paint, replace missing light fixtures and door knobs, replace toilet seats, replace garage door opener, repair fence, gates, etc.” No, the numbers don’t speak to the anger of the dispossessed, the ones who vacate their homes in a scorched-earth rage.

The numbers don’t even tell the whole numbers story. Apparently, significant quantities of foreclosed and distressed properties change hands without ever being listed on the multiple listing service. And then there’s the increasingly popular Z sale, where the stated sale price — usually the original list price — is noted with a “Z,” indicating that the actual sale price is, well, something else. But that bogus Z price goes straight into the numbers machine that cranks out the statistical sausage of trends, median prices and comps that are supposed to tell us where the market stands.

“It’s poisonous,” my friend Mark Kreditor told me over lunch, speaking of the Z phenomenon. It might help support the market in the short term by keeping lower prices out of the system, “but it’s like a drug that keeps you pumped up — after a while it catches up with you.” Mark, another veteran of the ’80s bust, manages more than 1,500 rental properties in the Dallas area, and he has his own blunt take on the local market: a bubbling cesspool — not quite his actual words! — of bad credit and tenant noncompliance.

“From the outside, Dallas looks great to investors — strong population growth, relatively strong employment, great weather, a transportation hub and so on, but you scratch away that veneer, it gets ugly pretty fast,” he said. Dallas has one of the lowest consumer credit scores of any major American city. Tenants will skip at the drop of a hat, and shrug off nuclear threats to their credit rating. “Property code by Smith & Wesson,” is how Mark describes it. In any given year his company files more than 500 eviction proceedings, and can expect fully 20 percent of tenants to fail to fulfill their leases.

“Don’t,” he tells prospective out-of-town investors. “Dallas is not a normal market.”

Compounding the problem is the seemingly endless prairie that stretches in every direction. Residential real estate in Dallas is all about what’s new, fresh, clean and contemporary, and beyond last year’s farthest-flung suburban outpost there is always more prairie, another slice of raw land on which to build this year’s model of the luxe domestic dream. A sampling of high-dollar foreclosures shows the subprime version of that dream: “Resort-style backyard w/ pool/spa, fountains and fireplace.” “Massive wrought-iron chandeliers.” “1,000-bottle wine grotto next to media room.” “Opulence abounds.”

With its substantial investments of time, money and energy, home ownership assumes some degree of longevity in a certain place and at a certain station in life, whereas latter-day corporate capitalism demands of its workers the exact opposite — flexibility, mobility, liquidity, a knack for the fast downsize. Perhaps the average American family would have been better served these past 10 years by investing in a yurt, as opposed to an immovable luxury pile of bricks and mortar.

Lately, I’ve been reminded of drives to my in-laws’ house in the early ’90s, and how our route took us past a boarded-up Kroger in an empty field. That supermarket was the forlorn vestige of what was obviously meant to be a grand multi-use development, and some wit had spray-painted on the building’s side, “In time the prairie takes back its own.”

That old Kroger is now a bustling Tom Thumb grocery store that sits smack in the middle of a thriving mega-suburb. So the story has a happy ending? Farther out, though, the real estate turns back into land, and thickets of ragweed and sunflowers are growing over the construction debris. Maybe this track we like to think of as progress is just us going around in wider and wider circles.

“What’s going to happen?” I asked Mark Kreditor at the end of our lunch.

“Nothing,” came the instant reply. Then he laughed. “Except more of the same.”