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RESIDENTIAL REAL ESTATE

Lender to home flippers weighs in on North Texas residential market

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Image: DHLC Investments Inc.

Rob Barney, president of Dallas-based DHLC Investments Inc., predicts the correction will take about three months while buyers, sellers and the industry adjust to a “new normal.”

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By Bill Hethcock
Senior Reporter, Dallas Business Journal
49 minutes ago

Rob Barney, president of Dallas-based DHLC Investments Inc., is solidly bullish on the long-term health of the North Texas housing market. But he thinks the next few months may be rough as the coronavirus crisis, shelter-in-place orders, heavy job losses and an oil price crash take their toll.

DHLC, a loan agency that lends to investors who buy and renovate homes and other properties, has experienced market swings, including the Great Recession and the H1N1 pandemic.

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Fundamentally, today’s Dallas-Fort Worth market is much better prepared to take the punches thrown by COVID-19, Barney said. Capital liquidity is high, and before the coronavirus pandemic hit, North Texas had a strong, diverse economy with a vibrant real estate market, he points out.

Home sales will slow while people assess their options, but sales won't stop, he said. Barney predicts the correction will take about three months while buyers, sellers and the industry adjust to a "new normal" and people prepare to take advantage of lower interest rates and market opportunities.

Barney recently spoke with the *Dallas Business Journal* about the residential market.

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What does DHLC Investments Inc. do?

I'm a private hard money lender, so I lend money to real estate investors who flip houses. I've been doing this since 2001.

What’s your take on the pre-owned housing market in North Texas?

It’d be simple just to lump everything together and say, ‘Oh, we’re in big trouble.” But there are a couple of segments to it. One is the $250,000 homes - your first-time homebuyers, your entry-level, who typically go in with FHA financing. Those are people who are not as insulated from what’s going on as people in the $350,000 and up price range of house.

For example, one of my borrowers sold a property that closed today for $570,000 to a couple of doctors. If you look at what’s happened to the employment market, the service industry — the hospitality industry and the restaurant industry — have been devastated. That industry has been really rocked hard. And those are typically a lot of the buyers that are buying sub-$300,000 houses.

Where is the market going from here?

There was an enormous amount of demand in the real estate market prior to this happening. I don’t think that demand has gone away. It’s just that a large segment of our economy is now unemployed. A large segment is now working from home. And those people are going to be looking for opportunities to possibly find bargains once this thing is lifted.

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I don't want to cause the impression that you turn the light switch back on and everything goes back to normal. But unlike what happened in 2007 and 2008, when the market was devastated and there was no liquidity, we don't have that problem. We have banks wanting to lend, and we have strong borrowers in the white-collar segment in $300,000, $400,000, $500,000 houses that have the credit and have the cash to buy something.

How will home prices in DFW be affected by the coronavirus crisis?

It depends. It’s going to go by market segments and how buyers feel. There will be some downward pressure without a doubt. In 2006, 2007, 2008, when we had that meltdown, you saw much larger discounting in the sub-$250,000 market than you did north of $350,000. You saw that because those have a higher level of defaults and those people were more desperate to sell their houses.

The other problem was there was a lack of capital for purchasers to buy those properties. That’s not where we’re at right now. Capital is still there and capital wants to be deployed. So my guess is there will be a fair amount of pent-up demand once we get rolling again, whatever that looks like. And I think there’s going to be some initial price discounting.

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What percentage?

Maybe 10 percent price reduction. It could be less. But you’re going to have some people who are going to be able to afford to hold their price. They’ll be able to get what they want so they’ll discount less. I think that’s going to be at the higher end of the market, where the buyers are less impacted by what’s going on right now.

I’ve also heard the opposite theory — that the higher price points would be more affected because demand was already softening at those levels and buyers are more impacted by the ebbs and flows of the

stock market.

There’s some truth to that. It depends on how the stock market returns. That’s one of the problems with speculation because we just don’t know.

Is anybody flipping houses right now?

Yes. I’m very busy. Our company has its funds from insurance companies and individual investors, and so while some of our money has been pulled off the table, we still have the capacity to lend because we aren’t beholden to Wall Street money.

Who is your typical borrower?

People who are buying a distressed asset and are able to repair it. We typically lend up to 70 percent of the after-repair valuation. We always have about a 30 percent equity cushion in every deal that we do, and we lend to people who fix it up and then turn around and resell it or turn it into a rental.

This interview has been edited for brevity and clarity.

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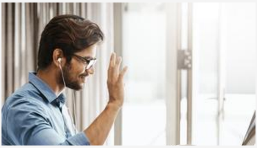

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