

# Real Estate Unleashed

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## Current Real Estate Update

### The Magic and Frustration of Real Estate

The real estate market can be both magical and frustrating all at the same time. In many parts of the Bay Area, such as Palo Alto, the Sunset, Burlingame, or Mill Valley, it's as if we are back in the 2004 real estate market where every property had multiple offers and lots of them were all cash offers. In other parts of the Bay Area, however, like Oakland, Novato, Vallejo, and parts of San Jose, the market is much softer and has not yet rebounded. Sales still happen in these areas, but only if the property is priced right. Additionally, much of the inventory is still made up of foreclosures and short sales. Even if these areas may not be hot, they still present a great opportunity for investors and first time homebuyers. It is amazing how locations a few miles apart can see diverging trends.

While markets like Palo Alto can bear price increases, multiple offers, and a healthy pace of sales, there are several other markets throughout the Bay Area that cannot. In real estate, it is all relative. Each sale needs just one seller and one buyer. The value is determined by who is the seller, the profile and capability of the buyer, the support of the lender, the type of real estate you are buying or selling, inventory, days on the market of the competition, list / sales price of past sales, and whether you are in a negotiating situation or a competitive world fighting against all cash multiple offers. The key to navigating all of this is education. You need to know what market you are selling or buying in and what will it take to get the house sold or to buy one. The rules are not only different in different areas, but they can also change daily based on what is selling and at what price point. Additionally, the media confuses us even more. Zillow will tell us that home prices fell 3% in the first quarter, the steepest decline since 2008, and Fiserv Inc. is predicting home values still have 5-10% more to decline. Yet, this is not what homebuyers who are trying to buy a home in Palo Alto or the Sunset are experiencing.

So, what does all of this mean? What we can say is that what should be is sometimes, what seems logical is sometimes, and what can be often is just because it can be. That's the magic and frustration of real estate. There are no set rules and the journey is often not the one we expected. In the end, buy in a good location, take out a conservative loan, and wait 5 years. From Palo Alto to Novato, real estate will reward you.

### Let's Talk Negotiating

Negotiating is an important part of the real estate purchase, but in order to have the right strategy, you need to know several things about the real estate market and the property you are bidding on.

The real estate market is more complex today; so many more things need to be considered. Sure unemployment and the price of gas affect general pricing, but you need to get down to specifics

- Understand the kind of asset the property is (home, condo, or multi-family unit)
- Understand the profile of other buyers that will be competing against you (are they all cash, an investor, etc)
- Will the lender like you, the property, and the area?
- Consider the inventory. Is it growing or declining in volume?
- What about the appraisal? Will it come in at list or above or below?
- Will you be in a negotiating or in a competing bidding process?

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What we do know is that each property needs to be looked at individually in this market and then against the competition. Each area is different and even in similar areas you can find five different prices on five similar homes-- some will be foreclosures, some short sales, some are sellers just testing the market, and some are listed by new developers. Each of these sellers may have a different end goal and thus pricing could be different. Also, how flexible they will be differs too. And, in foreclosures and short sales, there are lots of things that affect strategy like who owns the loan, is there a second, and are there other creditors. All of these things make a difference as to your strategy and what you can offer.

What you offer can vary from under list price to over list price if there are multiple offers. Prices are back to 2002 levels, which means that we are back to true value once again. Interest rates count and right now they are the lowest in 30 years. Even more important than the rate is to get a loan that you can afford and one that buys you time-- 30 years is a good thing not a bad thing. And, lastly, there will be appreciation, but think more in the 4-5% range.

The old days of comps showing you how and what to bid and the market moving with the seasons is gone. Today, everything moves faster. Technology means that more buyers are out there and information is both plentiful, but often flawed. Add to that the economy and the lending environment and you can see that it is not just about buying and selling a home anymore. It is really about getting an education and working with a professional so that you make the right decision. After all, it is not just the American dream-- real estate is an asset so make sure that you position it in your portfolio so that it can build wealth for you and your family. That just makes good sense.

## Did You Know?

### *Finishing Touches*

Sellers often can't spend huge amounts of money to get their house in top shape for buyers. The good news is that there is plenty you can do for free or at a very low cost. Here are some tips.

- **Concentrate on big impact rooms.** Kitchens and bathrooms still usually offer the most bang for your buck.
- **Go neutral.** Do not introduce too much color to the bones of a room. Use color on one wall only or by bringing in accessories.
- **Consult an expert.** A professional stager can do a lot with a little. They know how to highlight the best features of a home while minimizing its faults.
- **Know when inexpensive will not work.** Certain projects just can't get done cheaply. For example, replacing a vanity with an inexpensive off-the-shelf product from a big box store is not the way to go for impact. The vanity stands out, so you should put some money into it.
- **Find inspiration.** Look at catalogs and magazines to get great ideas.
- **Plan your budget.** To save on labor, group your projects together in bulk through a vendor rather than hiring a handyman for separate hourly jobs. If you can do part of the work yourself, that will be very cost effective.
- **Complement the architecture.** If you have a two-story colonial, do not redo part of the house in an overly contemporary way. It will just look odd.
- **Refinish floors.** This can make a huge difference. Check out [costhelper.com](http://costhelper.com) to see how to do this inexpensively.
- **Redo tile and grout.** This is very effective and can be done by you.
- **Freshen up the laundry room.** Make it look fresh and organized with a fresh coat of paint and updated fixtures if you have a sink, etc.
- **Improve the basement.** Add some shelves for storage, more lighting, and a fresh coat of paint.
- **Add a fresh coat of paint.** Flat or matte finishes are difficult to clean and show scuffs. Increasing the sheen can often brighten rooms. The new greys, silvers, and eggshell colors bounce light off the walls, which makes spaces look larger. Semi-gloss is a good option for kitchens and bathrooms. Try doing the front door in a high gloss. It is typically the first thing a buyer notices.

With a little creativity and a few dollars, you can make your house stand out.

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### 10 Things You Probably Did Not Know About Sweden

1. Sweden is the second-largest, per-capita consumer of coffee in the world.
2. There are more McDonald's restaurants per capita there than any place in Europe.
3. Swedes are credited with inventing the pacemaker, GPS, matches, ball bearings, ultrasound tests, the zipper, and dynamite.
4. Thanks to its proliferation of communal music schools, Sweden is the third largest exporter of pop music in the world.
5. Nearly 8 percent of Swedes play golf on more than 500 courses.
6. The per-capita proportion of personal computers in Sweden is the highest in Europe.
7. Sweden has the highest percentage of working mothers in the developed world.
8. The country has the world's highest number of nuclear plants per capita.
9. Sweden is the third largest European country in land area, after France and Spain.
10. Swedes can pay taxes by text message.

## Statistics

### Bay Area Statistics May 2011

Bay Area home sales and median prices were slightly up in May, but fell from year-over-year levels. Some of this may be attributed to the home buyer's tax credit from last year. But, this was the lowest number of sales in May since 2008. So, in general, there has been a slow start to the spring buying season. Move-up buying and new-home sales were especially weak last month, while distressed properties, cash buyers, and investors remained far above normal.

### Existing Single-Family Home Sales (May 2011)

<b>County</b>	<b>Number Sold</b>	<b>Median Price</b>	<b>Percent Change (YOY)</b>
Alameda	1,349	\$348,000	-10.80%
Contra Costa	1,483	\$255,000	-13.20%
Marin	227	\$640,000	-5.30%
Merced	206	\$108,500	-9.58%
Monterey	305	\$233,000	-9.78%
Napa	122	\$340,000	-2.90%
Sacramento	2,002	\$159,000	-12.64%
San Francisco	494	\$660,000	3.70%
San Joaquin	896	\$156,500	-10.44%
San Luis Obispo	281	\$360,000	-2.92%
San Mateo	599	\$573,000	-5.30%
Santa Barbara	284	\$274,000	-13.02%
Santa Clara	1,654	\$498,000	-5.10%
Santa Cruz	165	\$400,000	-18.12%
Sonoma	460	\$313,500	-6.40%