



In the Loop Realty Newsletter

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RECESSION IS OVER, RECOVERY IS HERE!!!

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OH! THE GOOD LIFE AGAIN- The stock market is soaring, jobless rate is down dramatically, nearly \$1 trillion is being paid back to the government! And the dollar is in the dumps? I guess maybe this was a bit cruel. It's impossible to know where the country is today financially and politically. The indicators from the beginning of August were reported positively but the numbers being shown now don't support those reports.

The latest international report is that Germany and France are coming out of their recessions. Odd, I always thought we came out first? Right?

JOBLESS CLAIMS- Apparently, a reduction in jobless claims was expected but instead they have risen.. Although not by much; and, there was a drop in unemployment rolls from 6.5 to 6.4 million at the end of July. Great except that it is

also reported that many people have given up looking for work; and, although it's not publicized when unemployment runs out... and it does, those people are no longer in the figures of unemployment. Once again, "liars figure and figures lie"! Truly, the key to recovery is to get people back to work. I'm hoping that as Ronald Reagan had scolded us about the "underground economy" it has found it's way back into our society. It's about the only help we can expect.... and that ain't so bad as long people are working and keeping their families together. If the public doesn't do it, it won't get done.

It's reported that 15 states and DC have unemployment over 10% while Michigan is over 15% for obvious reasons. The Feds are predicting the rate to rise over 10% nationwide by the end of the year. This is the cost for recovery. Much depends on you and I. If we hoard our money and not spend, the recovery will be longer and the need for retooling and production will not happen. A vicious cycle.

STOP PAYING YOUR MORTGAGE!!- One of the most astute mortgage experts I've ever known is Jackie Weed who has held executive positions at national companies for real estate financing and mortgaging. And, unlike so many others, did it successfully without fallout. Jackie sent me a story which is incredible and am share with you. I'm cutting it short. A man who was very capable of paying his mortgage realized that not paying it was a great financial benefit. His house was "upside down" by about \$100k. As the banks are accepting short sales; and, he can't sell his house and take a \$100,000 loss the better solution was to stop paying his mortgage and let the bank foreclose. It would take about a year for the bank to actually get them out of the house. Yes, he was married to a woman with a good job and had good credit. The house was in his name. So, it made sense to discontinue payments, save the mortgage payment for the year and use that money for his wife to buy the next house.

Based on the market where they lived they could buy a better house than they had for \$100,000 less than there balance on the original house. His credit didn't matter as long as his wife's was in tack. And to add insult to injury the government is offering an \$8,000 tax credit for first time homebuyers before 2010. Unbelievable!!!

REAL ESTATE INVESTMENT MARKETS-

In about 60 major markets in the US there was a 73% decrease in real estate investment property sales over the past 12 months. The price per square foot for office property was down 11%, multi-family down 10%, industrial down 12% and retail down 12%. **CON'T**

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BUSINESS EXPANSIONS-

Well, the expansions for businesses is not expected unless it's Wal-Mart. Yup, Wal-Mart is in the expansion mode; and, one can understand that. There retail sales are almost always up as is there profit. Wal-Mart has the answer to the American public's problem..... less money and still needing things. They are right now seeking sites in New York City which was always a top retail space \$/SF location. Watch as Wal-Mart starts to expand it's operations to services at discount prices. They are today what Sears Roebuck was in the 40's and '50's.

Well, last year Kohl's took over a bankrupt retail chain of about 26 stores and are in the process of trying to get them re-fitted and opened. Unfortunately, Kohl's doesn't have Wal-Mart's management team. Their numbers don't support the costs that they are incurring. It will be a tight fit for 2010 for them. The best laid plans of mice and men.

MORTGAGE WHOLESALE MARKET- Many of us are not aware of the impact the mortgage wholesale market had on the home buying public and overall economy. Wholesalers simply bought and packaged mortgages and sold to investment companies and banks. Two years ago they were responsible for about 30% of all loans sold to investors. Today that number is down to 15% and is not

good for the consumer (but what is today?). Wholesale companies have been closing for the past 2 years what with the real estate catastrophe. The 4th largest wholesaler declared bankruptcy and closed its doors in July. Now that means there is less strength in lending than what is perceived. It's the principle of competition which is often explained as, "profit breeds competition but excess profit breeds ruinous competition". When the mortgage market was raking in the dollars, the wholesalers were flush... real flush. Now as the market is weak, wholesalers couldn't meet their usual cash needs and have folded. Greed was their downfall. This is bad today for the public as it's recorded that there is good profit for the remaining wholesalers but a diminished number of them. This means their rates paid by the consumer are higher. Yes, the public is now paying for the survivors at higher rates. When demand goes up for mortgages the reverse will come back into play. It's a merry-go-round which the public is unable to get off. Sound familiar?

NEW AMERICAN HOUSING- The latest report from homebuilders is that the average gross living area of new homes has dropped in the 1st Qtr of 2009 compared to the same Qtr of 2008 7%. Doesn't sound like much but the new average is 2,065 SF which indicates a loss of 155 SF. That is equivalent to a

12' x 13' room. The new home public is tightening it's belt and accepting less as the norm.

WELLS FARGO- Sounds like its hiding an uncomfortable financial position in garbage cans in the alley. Wells has toxic loans in huge amounts. Rather than selling them to the government via PPIP which was put in place to bail out the greedy banks, they opted to go to the "corner" and sell at 65% or less of asset amounts. This allows them to escape public scrutiny. Apparently, Wells doesn't want to discuss this which to the thinking American means they have something to hide and the numbers are substantial. Somewhat in their defense but with real reservation, they may be seeing the PPIP program as a failure and are opting to solve their own problem. You decide!

TRUMP'S SECRETS TO SUCCESS- I'm not a Donald Trump fan by any means. Any guy who gets a 200+ unit apartment complex as a college graduation gift didn't get where he is on his own. But you have to admire much of what he's done over the years and respect him for that. He is not slowing down now in his early 60's. He's revving up and developing and creating new endeavors. Here's his 6 steps.

1. *Relentlessly confront your fears.* Fear makes problems bigger than they are. Confront them with problem solving methods.
2. *Make your communications, short, fast and direct.* Get to the point. Prolonged explanations tend to lose your listener.
3. *Put bad news in perspective.* Question unwelcomed experiences or news with an attitude. Question if it is a blip or a catastrophe and do what you can do to make it positive.
4. *Don't take yourself too seriously.* Before you are a business person protecting your identity and position in life, you are a human being. Learn to laugh at yourself.
5. *Never let one person determine your well-being.* Make plans that have options of partners.
6. *Turn your passions into productive activities.* If you enjoy something, make it a business.