# In the Loop Realty Newsletter

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Amerival

**Your One Stop Valuation Center**

## *HOW FAR REACHING IS THE SUB-PRIME IMPACT??*

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***EU & SUB-PRIME DILEMMA–*** I just returned from Italy and through the course of the vacation had an opportunity to speak briefly with some "people on the street". Surprisingly, a taxi driver who spoke better English than I do Italian introduced the conversation. In their terms, the greater impact the subprime debacle is having is to the exchange rate. Apparently, the media in Italy is setting forth an understanding that the U.S. is going to be in serious financial straits in the coming year which will have a direct affect on the rate of exchange. The rate presently is about $1.42 to 1 Euro. In 2004 during a visit to Italy the rate was $1.21 to 1 Euro. The obvious result of this rising difference in exchange values is that less Americans will be able to afford or want to afford a trip to Europe. The American tourist is not being charged differently than the Italian residents, it's just "cost shock". A can of Coke is $5 to $7 dollars. Water is a great alternative and that *ain't* particularly cheap either. At one time you were able to pay in U.S. dollars because the Europeans believed that the U.S. economy would bounce back and the hoarding of U.S. currency would become a great investment. Today, we were very hard pressed to get any of the businesses large or small to take U.S. dollars because the business people have to pay an exchange commission also. And, they no longer have confidence in the rebounding of the U.S. economy & $ strength.

Global economics and education has taken a large portion of the industrial world to a point of comprehension of the basic world financial markets. The taxi driver to whom I referred will be coming to NYC for a couple of days in December because his hobby is fishing and he wants a special reel. In Italy it will cost over a $1,000 but he can buy it in the U.S. for less than $400. What an imbalance!!!!

***GE's CRISIS-*** Investors in GE are very skeptical of the conglomerate's ability to maintain profitability in spite of it's bullish forecast. Why? Because of GE's expansive involvement with the financing crises and the housing market. The response to investors is that less than half the conglomerate's revenues are from U.S. operations. The moral of this little tidbit is that when the conglomerates get scarred and scared the return to that market will be longer than expected so as to quell the investors concerns of re-involving in the U.S. housing market activities. And, yes they will eventually, because all major players must return to a positive recovery.

***DECOUPLING FROM THE U.S. ECONOMIC MARKET-*** The U.S. is the major force in world economics and the global economy is still fairly strong. However, the world is looking to China and India to decouple from the U.S. train. They have be able to supply the rest of the world the productions presently sought from the U.S. In addition the U.S. is the country with the greatest demand for world goods. The world community is also looking to Japan and Germany which are trade surplus countries to replace the U.S. also as the steam engine for demand of world products. The weakening U.S. dollar, the huge U.S. debt and the re-sounding credit crunch and continued housing market debacle worsens the scenario for the U.S.

***NEW HOUSE MARKET–***

The top 5 U.S. new house developers experienced a 21% decrease in sales thus far this year and an 8.3 % decrease for last quarter. Billions are being charged due to the devaluation of developable land being held which is non-performing and may so remain for a couple of years.

**Courtesy of**

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