In the Loop Realty Newsletter

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HAPPY 4TH OF JULY!!!!

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SUMMER OFFICIALLY BEGINS— Don't you wish you were back in intermediate school or high school looking forward to one great week and weekend after another? The beach, the parties, the vacations. Yeah, life was simple then and damned it was fun. Well, all that has changed is our age. We can still do those things by thinking young and learning to look forward to the good times to come. I hope you all have a wonderful carefree Summer.

A very good friend, Dee Pehnert, sent this to my wife and I.

"Life is a series of problems. How you deal with those problems determines the quality of your life." No, it's not a downer from that before it. It simply says, if we know how to deal with our problems, they won't control our lives. We'll control them. So, laugh, smile and think of wonderful things. Enjoy your Summer. Act your age but think young.

HOUSING STARTS- June reports showed an upswing in housing starts which is contrary to the economic movement… downward. But it's a start which we need. It indicates, if nothing more, that the banks are beginning to accept some less certain investments. Some critics of the positive spin for increasing housing starts question the sense of building new when there's a plethora of housing inventory throughout most of the US. I do agree but possibly it satisfies a portion of the market which will only respond to new housing; and, if they have the financial wherewithal then it truly is a good sign.

However, according to the John Burns Real Estate Consulting firm, 306 home building execs of over 200 companies reported weak May sales and continued price declines.

MOST HATED INDUSTRY- Banking is not really an industry but in these days no one is quite sure what it is. The Maritz Research reported via its CEO, Rich Broze, that 60% of the public believe more regulation is necessary to keep banks on the straight and narrow. What is disturbing is 75% stated they have no confidence in banks. 61% believe the government should not continue any further bailout of banking institutions along with no further efforts for the auto industry.

SOME HOUSING STATS- It is anticipated that there will be a 14% further decline nationwide in housing prices. However, New York City and surrounding residential communities may see as much as a 40% drop, as will Orange County, CA. These areas are hit by the deep cuts in the financial sector. In NYC alone there have been over 183,000 job losses in the past year. Now, we know why the reporting in my last newsletter about financial types working for Avon, Tupperware and Mary Kay is apparently quite accurate.

FORECLOSURES & LENDERS MAY ASSUME SOME RISKS-

California has just begun its moratorium on residential foreclosures which is for a 90 day period. Only residential servicers can be exempt if they are doing a loan modification. I guess that is some relief.

The Treasury Department is proposing that all real estate lenders retain 5% of the credit risk on securitized loans. It appears to be a means for lenders to put "their money where their mouths are" by assuming 5% of the lending risk. So, if they make bad loans their risk rating goes up. Not a bad idea. If the Treasury backs it with a strict failure line at which point when exceeded . ***Con't***

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the lender forfeits it's license and rights to make future loans.

RHODE ISLAND?- Now you see it, now you don't. The smallest land area state in the US is looking to change its name. That's right! What most of us don't know that Rhode Island is not the legal name for that state. The real name is *State of Rhode Island and Providence Plantations*. Well, the *Political Correctness Police* has reared its ugly head once again. To it the "Providence Plantations" portion conjures images of slavery. I bet not 1% of all American's in the other 49 states even knew that the last part of the name even existed, let alone conjure slavery images! However, it will be put to the public vote next year.

EXISTING HOME SALES HURT BY POOR APPRAISALS- This is the heading of an article I recently read. It is a quote of a statement made by Lawrence Yun, the chief economist of the National Association of REALTORS. Resales were up 2.4% in May to 477 million. However, it was down 2.6% from May 2008. So, the excitement NAR tries to create is smoke and mirrors of which they are expert. Mr. Yun's statement was backed by NAR president, Charles McMillan, who blames the resale problem on "shoddy appraisals". If anyone has followed the printed word of the spokespeople of NAR, then it would be known that they are always poking a finger at everyone else in the housing arena; and, never, never (redundancy is necessary here) do they take blame for any negative happenings to the housing market. My problem with NAR and FNMA & Freddie Mac is it is constant blaming. Common sense tells us that somewhere they have to be minimally part of the blame of the housing mess. Overselling for years by the real estate industry and lack of controls, profiteering and inexcusable lending practices by Fannie and Freddie are 99% (not a fact) the cause of the problem. Real estate sales people and brokers "low balling" prices when asked to provide their opinion of value to prospective sellers is as common today as over pricing when they know they are competing with another real estate for a potential listing. To real estates it's the "law of large numbers". The more inventory they have, the greater the chance of a sale and their commission.

Let's not forget that appraisers are not on commission. It's "one price fits all" for the most part while real estate agents receive a percentage of the sale price. Right! Their only concern is the sale and not how it is accomplished. Consider all the minions of the real estate agencies sporting their "million dollar sales club" badges and wonder how. Easy, based on the exorbitant prices most placed on housing over the past years one would have to have been confined to a hospital bed and on a respirator not to have sold a million $'s in real estate.

Now that was harsh, I'm sure you'll agree. But it is as blatant as the heads of NAR blaming the overall problem on appraisers. If they were asked, "are all listings true reflections of market value"; and, answer, yes, then how can an appraisal not reflect a reasonable market value. Ladies and gentlemen, there is still manipulation of listing prices and sales contracts ongoing today. The same problems which created the fiasco that brought the housing market to its knees for the past year and change, is still ongoing. In addition, there are foreclosure sales from banks and short sales. When these are substantial parts of sales, the resulting sale prices must also be considered as sales that are acceptable comparables. As long as these sales exist, the marketplace and the appropriate market cannot ignore them. If one of these properties is exposed to it's appropriate market for a reasonable period of time, then it's sale price reflects the activity of that market and the sale price is a reliable reflection of market value. Don't succumb to NAR's diatribe.

MOST EXPENSIVE HOME IN US

Known as the Fleur de Lys it is located in Beverly Hills, Calif. It's modeled after Louis XIV's palace at Versailles. It took 5 years to build this 45,000 SF *house(?).* Right! Mansion is a better word. To name a couple of accoutrements; 50 seat screening room, indoor pool with extras, etc. And only $125 million.

BEST BARGAIN HOME-

Located in Bel Air, Calif., is this 48,000 SF gem with 10 bedrooms and 14 bathrooms. Situated on a minimalistic site of only 2.2 acres its privacy is assured by 1,000 feet of 36 feet high Jerusalem stone wall. Why is it the "bargain"? Because it has a 3,500 bottle wine cellar plus a 20 car garage. My two favorite things, wine (Italian) & exotic cars.