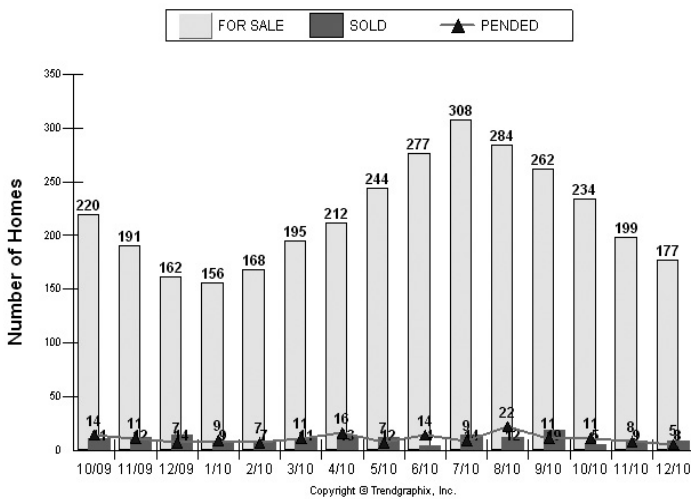


Real Estate Activity/Predictions



I'm asked all the time what I think about the real estate market. Let me begin with what financial leaders are saying.

On April 16, 2010, the NY Times reported that John Paulson, Harvard MBA, Baker Scholar, and hedge-fund manager, saw what was coming and bet against subprime mortgages, earning him \$1 billion in 2007, \$2 billion in 2008, and \$2.3 billion in 2009. And what position is Paulson now taking? Speaking to a standing room only crowd at the University Club in midtown Manhattan on September 27, 2010, he said:

"If you don't own a home... buy one. If you own one home... buy another one, and if you own two homes, buy a third... and lend your relatives the money to buy a home."

That's very bullish, but if you don't believe bankers, how about companies who write private mortgage insurance (the insurance that offsets losses to lenders when a mortgagor is not able to pay). Their business depends on what is going on with real estate and they track home prices throughout the country.

In a recent report (www.pmi-us.com/PDF/q4_10_pmi_eret.html), the Seattle/Bellevue metro area is ranked as "low risk" for further home price reductions – some of the lowest in the country. They also predict home prices in our area to recover to previous highs in 2-3 years, as opposed to some areas of the southwest that are not expected to recover for 10-20 years. I encourage you to go to the PMI website and read these reports.

There are more positive signs. A friend in Newport Beach whose boat business has barely survived the recession reported the last three months were very, very busy – for big boats. A friend of his, a DeBeer rep, also had a very good Q4. Christmas retail sales were up 5.5%, luxury car dealers experienced a sharp rise, and banks have large cash reserves. My point – something good is happening.

We have tracked housing sales in our area for a long time. In previous downturns, vacation home sales returned first, followed by primary housing. Low prices, attractive interest rates, and a good selection of homes have attracted investors in the past and will again.

According to the graph above, the market was a bit better in 2010 but not enough to encourage cautious buyers. Holiday interest rates bumped up a little on fears of inflation. This has driven bond rates down and since gold has slowed, investors normally look to the dependability of real estate.

I believe the recovery will continue to be slow but persistent and that 2011 will be the "Year of the Investor." A sub-5% loan for a long-term asset like real estate that has been discounted 35-40% is a good investment to any accountant. With buyers in the market, I think sellers who need to liquidate their properties will be very successful this year, especially if it has been updated and modernized. Prices may begin to rise a little but even a healthy 5% gain will just get us back to last year's prices. Remember, they are still not making more waterfront property.

Staging Sells Houses...

If you can't hire a stager, there are several things you can do to catch potential buyers the moment they step in your home.

1. Nothing Personal – Homebuyers are easily distracted by family photos and other personal items/opinions. You want buyers to focus on your house, not things that tell them about you. Depersonalize... remove collections, religious items, politically-charged materials, sports and music posters in your kids' rooms, and any other questionable material.

2. Clean and Declutter – Clutter makes a house look smaller. Get a head start on packing, box up, toss or recycle now, rather than later. Rent a storage unit for a few months and store everything you've pack up. Clean out closets and cupboards... if they're overloaded and crammed they send a signal of a home lacking of space. If your closets are small, remove half your clothes and shoes. Potential buyers will look at everything, so take all medicine, personal hygiene, and drugs out of the bathrooms, pack up half the coats in the hall closet and clean out the pantry, refrigerator and freezer. And don't forget to clean the windows, they will let in more light, making your place feel brighter and bigger.

3. Pet-Proof the Pad – If you have pets, especially indoor pets, make sure you are particularly fastidious in cleaning up after them. Do not leave out cat boxes, food/water bowls, or toys. Some people are put off by the fact that there is an animal... especially buyers with pet allergies. If possible, remove pets during open houses and showings.



– cont'd on next page

THE SOUTH SOUNDER

Upcoming Events...

2/11-27 — Red Wine & Chocolate Winter Tour, Hoodspport Winery, Hoodspport

2/13 — Valentines Dinner Benefiting Hood Canal School, 5-8 p.m., Tides Restaurant, Hoodspport, \$25, RSVP by 2/11 at 360-877-8921

2/17 — West Sound Business Expo, 2-7 p.m., Kitsap Pavillion, food, free admission, for info 360-394-5638

2/18-19 — Anna's Bay Chorale, Bach & Vivaldi, 7:30 p.m., Harmony Hill Retreat Cnt, 7362 E SR 106, \$18

2/19 — Valentine's Ball, Bach & Vivaldi, 7:30 p.m., Harmony Hill Retreat Cnt, 7362 E SR 106, \$18

3/13 — My Fair Lady Sing Along, 6-8 p.m. Harmony Hill Retreat Cnt, free

3/20 — Home Firearm Safety Course, 10 a.m. - 2 p.m., learn basics of handling & storage, \$20, for more info call 253-884-4117 or jenvant@centurytel.net

4/1-2 — Olde Time Fiddlefest, Shelton HS, 6:30 p.m. Fri, 1:30-9 p.m. Sat, spaghetti feed Sat from 4:30-6:30 p.m., for info 360-432-0815

5/7 & 12 — Taylor Shellfish Seed Sales, 5/7 @ Quilcene Hatchery, 9 a.m. - noon, 5/12 @ Shelton plant, 8-11 a.m. for more info call 360-432-3324

5/13-15 — Bluegrass from the Forest Festival, Shelton HS, tickets \$15-\$35, for info bluegrassfromtheforest.com or call 360-898-4581

Send us your event information, comments, or questions: mostyn@windermere.com, or call Mike Mostyn at (360) 463-2526 or (360) 275-5002.

The South Sounder Valentine Low-Salt Recipe Chocolate Decadence Torte

Chocolate lovers beware, this torte may be addicting! This no-bake dessert is so rich... a little goes a long ways.

Sodium per serving: 9mg
Makes 16 servings

Crust:

2 cups ground dry roasted unsalted pecans, or any combination of nuts can be used

1/2 tsp ground cinnamon

1/4 cup unsalted margarine or butter, melted

Filling:

1/2 cup unsalted margarine or butter, at room temperature

1/2 cup sugar or sugar substitute

2 eggs, or 1/2 cup egg substitute

1 tsp vanilla extract

1 (10-oz) pkg chocolate morsels, melted*

2 tbsp frozen lowfat whipped topping, thawed

For the crust: Mix together pecans, cinnamon, and margarine. In a processor, combine whole nuts, cinnamon, and margarine; pulse until finely ground. Press into bottom of springform pan.

For the filling: Combine margarine and sweetener; beat until light and fluffy. Beat in eggs one at a time and vanilla; beat 2 minutes. Mix in melted chocolate; fold in whipped topping. Pour into crust and refrigerate until firm, about 4-6 hours.

**To melt morsels:* Place in a microwave-safe container and micro wave for 2 to 4 minutes at 50% power. Once chocolate appears shiny, remove and stir until completely melted.

— taken from *The Hasty Gourmet™ Low Salt Favorites*, ©2005, www.LowSaltFoods.com

Staging Sells Houses (cont'd)

4. Smells Like Home – Ask someone who will be honest to come by and give you the “sniff” test, especially if you have indoor pets. Freshly baked cookies or bread gives a warm homey smell. Grind a lemon in the garbage disposal, use a few drops of vanilla on a lamp bulb, fresh scents in the laundry, or potpourri in the bathroom. But be subtle, you don't want to overpower the senses. Also, music playing in the background, such as soft jazz, can offer a feeling of warmth... just no vocals please.

5. Paint It Up – A coat or two of paint is always a good investment – generally worth 150%. If you decide to make the effort, using neutral colors is always best. Not everyone likes bright red or yellow. Use accent pieces and pillows to bring color into a room. And don't forget to open the drapes or add a lamp to a dark corner, people like light, airy rooms.

6. Accentuate the Positive – You know what you like best about your home. Was there a feature that made you want to buy or something you've added to make your home particularly special? Whether it's a great view, backyard patio, or a three-car garage, do something to make buyers linger in that magic space. Make each room count... give each a purpose or use so that buyers can see how they could use it. Think of ways to make rooms look bigger... maybe a different furniture arrangement or removing a piece or two of furniture. The more floor you see, the larger a room feels.

7. Show Off the Goods – Consider placing laser-printed cards on items that remain with the home and are selling features. Such things could include high-end appliances, laundry chutes, built-in sound systems, and other goodies. Don't overdo it though; no more than 5-10 cards in an average-sized home.

Other tips: Kitchens sell houses and is the most important room for staging. Show it off... declutter counters, put small appliances away, and remove everything from refrigerator doors. No shabby furniture, replace, remove, or at least cover. Don't mask problems, fix them... if buyers find out they'll wonder what other things you're covering up. Buyers want to see a home that's been well taken care of.