



**Anthony
NEWMAN**

NEI's Real Estate Report

Published Monthly By Anthony Newman of NEI Realty

OCTOBER 2006

Don't Like the Market? Look Again.

by Al Heavens

It's never easy to be the messenger of not-so-good news, but it apparently has fallen upon "the media" to bear the bad tidings of the slowing market and all that it entails.

A business writer I know produced an exceptionally even-handed piece on the most recent Office of Federal Housing Enterprise Oversight report showing home prices increasing in the second quarter at a 4.7 percent annual rate, "the slowest since the fourth quarter of 1999."

The next day, a Realtor accused the writer of filling the newspaper with negativity and threatened to pull advertising -- an idle threat, since brokerages and builders tend to increase advertising in markets in which houses aren't selling themselves.

Advertising, in fact, is one of the methods sellers use to gauge whether the listing agent is doing his or her job. But that is a topic for another time.

Considering that most of this bad news is based on statistics compiled by the National Association of Realtors, Commerce Department, National Association of Home Builders, Fannie and Freddie and a host of governmental numbers-crunchers, maybe brokers and builders should complain directly to them.

A builder I know recently suggested that the more often economists and government analysts went on TV to announce that it was now a "buyers' market," the faster it would become a seller's market again.

Look. Because it is a buyer's market, the Realtor's other mantra, "Now is the time to buy," doesn't sound as much like hyperbole.

Now is the time to buy, because there's a lot on the market, fixed interest rates Sept. 7 were 6.47 percent and one-year Treasury-indexed ARMs just 5.63 percent, and when you consider that fixed rates when I bought my first house were at 18 percent, you'd be foolish not to.

In addition, there are a lot of mortgage products that will provide the first-time buyer with even lower rates and costs, if they shop around. Even in the 18 percent days, I was able to find a 13.5 percent fixed rate. With more houses on the market and less competition, buyers can take a little more time.

The media focusing attention on higher rates and slower sales surely frightens those easily spooked by a few negative numbers, but most aren't complaining about the media's attention.

I take my show on the road on occasion, and at a seminar in Orlando a few weeks ago, I asked the audience of builders if they had any complaints about the media.

One builder's hand shot up.

"A reporter from my local newspaper called and asked how new-home sales were, and I told her that they were slower than last year, but still brisk," he said. "The headline and the article the next day made it sound as if I was headed into bankruptcy."

Again, not everyone involved the production of that real estate article knows the intricacies of the business so there is margin for error. You should try explaining annualized rates or why we compare year to year rather than month to month sales and price statistics to the uninitiated.

I don't know how long what is euphemistically referred to as the "normal" market will last. Personal and professional experience tell me that it will change eventually; I remember the late 1980s and the mid-1990s and the surprise bump-up in interest rates in 1999 because of the Thai bat and the post-9/11 fears that never materialized -- so we just need to hang in and not panic.

What you should expect from the media is a blend of statistically based news and information on how to deal with the market those numbers are reflecting.

For example, if it is a buyer's market, tell buyers how to take advantage of it -- negotiate, take your time, get an inspection, shop around for the best mortgage rate.

Then let sellers in on the information they need to cope -- get a pre-inspection to anticipate problems, look at your neighbors' houses and try to make yours better, or offer reasonable incentives or allowances to attract interest.

If you want to invest in real estate, forgo flipping and consider the long-term, such as REITs that are consistent income producers (some did better than stocks at the height of the market).

If you want property, buy a condo that is lingering on the market and rent it until median prices return to their dizzying climb. The focus on condo construction and conversions have reduced inventory of rental property in many urban markets, and that's the situation you want to take advantage of until circumstances change.

They always do.

If you are considering selling your home, call **ANTHONY NEWMAN** today for a Free Market Analysis 310-338-1245

310-338-1245

E-mail:

Anthony@neirealty.com

Getting into Real Estate for the Long Haul

by Al Heavens

They represent the future of real estate in this time of uncertainty -- 17 bright-eyed and eager students, median age 40, sitting for three hours in a classroom while I click slowly through a 50-slide Power Point presentation with embedded video and audio.

These are small investors, a mixed group of young and old, Realtors and nonRealtors, and all ethnicities -- a true mix of the modern-day urban market.

They want to know what I can tell them about renovating one-to-four unit properties cost-effectively, whether or not to hire an architect, what to look for in a contractor, what will put their rentals a cut above the others without breaking their budgets.

These are not flippers. These folks are in for the long haul, agreeing with some expert who told me this week that this isn't the time to experiment with real estate but to get serious about it.

One of the experts whose video was embedded in the Power Point was Carl Dranoff, a developer who was one of the pioneers of the warehouse to loft conversion boom on the late '70s to mid-'80s in many of our older cities.

When interest rates were hovering at 18 percent and creative financing was in its infancy, Dranoff turned his attention to the rental market, and that what these former factories and warehouses became. He attracted the same kinds of renters who are buying urban condos these days -- young single or recently married professionals and a few brave empty nesters willing to live on the then-mean streets of the city.

Although he focused on big projects, a lot of what Dranoff recommends can be tailored to smaller projects. On the top of his is location: Look at emerging neighborhoods that are not yet at the forefront of development. Look at smaller projects in areas where large ones are changing the equation.

Don't expect to find bargains at the intersection of major city streets.

Look for buildings with good bones: High ceilings, big windows, wide-spaced columns. For residential use, the shape of a building is important, since light can only penetrate a space up to 20 feet.

Lay out each room of an apartment with furniture; otherwise, you end up without door-swing clearance or with a piece of furniture without enough walk-by clearance.

Expect to install brand new systems: Plumbing, heating, ventilation and air conditioning. Even technology has to be introduced -- high-speed Internet access or fiber-optic cable -- especially for those investors whose buildings will house a younger market -- especially grad students and dot.com professionals.

Dranoff is a proponent of the "gut rehab," or starting a renovation with a blank slate. That means, removing the interior down to the frame and starting over.

That way it's easy to start installing heating, cooling, ventilation, and plumbing systems.

You need to pay attention to ductwork, since it is often difficult to penetrate obstacles such as concrete walls with a duct.

That's why you need a mechanical engineer to design the system, and have that person handle obtaining the permits and the equipment suppliers needed for the work.

To the neophyte investors, Dranoff recommends starting small.

Buy a small building. Surround yourself with good people: a lawyer, architect, plumber, electrician, and more who can be depended upon for advice and to show up when needed.

Know your market: Who is the end user? If you renovate to sell, make sure you have a good real estate firm. If you renovate to rent, have a good leasing agent.

Always allow more time for your project. If you believe it will take four months, make it six, because you never know what you'll find behind the walls.

And, for the same reason, add 10 percent to your budget.

Finally, be very wary of buildings with problems. Environmental issues can make a renovation project less than cost-effective, he said.

Thinking of buying or selling a home in the near future, please call

ANTHONY NEWMAN

for a personal interview and property assessment with no obligation.

310-338-1245

E-mail:

Anthony@neirealty.com

NEIREalty.com



Anthony NEWMAN



Newman's Enterprises, Incorporated
6820 LaTijera Blvd. #109
Los Angeles, California 90045

WE'RE EXPANDING!

NEI is proud to announce our addition of Commercial Sales and Mortgages? Thinking about a career in real estate....Call NEI today for a career assessment and confidential interview?

**Call ANTHONY today for your FREE Market Analysis:
310-338-1245 · E-mail: Anthony@neirealty.com**

PRESORTED
US POSTAGE
PAID
PERMIT NO. 92
LOS ANGELES, CA