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NEI's Real Estate Report

Published Monthly By Anthony Newman of NEI Realty

DECEMBER 2006

How Much is Too Much to Fix up Your House?

by M. Anthony Carr

As with any resale product, the person trying to sell said product will usually try to make the product look as new as possible to ensure the highest profit available. In reviewing many of the homes on the market today, however, some sellers don't get that notion.

Don't make the mistake of the seller who, knowing full well that buyers were coming by, not only failed to do a fresh clean up, but also left his underwear on the exercise bike, a pan of crusty macaroni and cheese on the stove and debris throughout the yard.

There are some task items any seller should consider when selling a house. Even if you decide to sell "as is," a little soap and water could put a few more bucks in your pocket. With that in mind, let's look at what sellers should look at doing with any house they want to put on the market; what to do when you want to get a little more money; and how to compete with the Joneses when looking to prepare your home for sale.

Any House

All homes going on the market should receive a deep cleaning. This is the cleaning that you do when ... well, you would never do it unless you're selling your house (or you're just an absolute neatnik. This involves scrubbing every cranny of the house. Nothing goes unscrubbed. I would suggest bringing in a professional group to get this done and plan on spending a couple hundred bucks (maybe more) to get the house ready for your new buyer.

Next, declutter the house. Go ahead and rent a huge storage unit and fill it up. Plan this with a bunch of pre-made boxes that have lids you can tape shut and label. Take extra kid's toys to charity. Donate all clothes that are even a bit too tight or out of date. Remove excess furniture (or even cover with matching covers).

Repair and paint where needed. As with most homes that have been lived in, that would be all of them. Walk through a new construction home to see what you're up against and then go and make yours look as best you can on your budget.

Landscaping. Thankfully, mulch and flowering plants don't really cost a lot of money for those who are just sprucing up. Before going out and paying for a designer-created landscaping job, start with the local garden center and get some free advice on how to spruce up on a budget. Fresh, flowering plants (even in fall and winter) can make the house look oh-so much better. Even if you're selling as-is, the above four tips are a must. Next is where we spend a little more money.

Redecorating

Renewed color. Giving your house a makeover doesn't have to cost you a second mortgage. The first item to consider for rehab is your color selection. While the traditional advice is "go vanilla," professionally selected colors (not too bold) can make a "nice" house into a "wow" house.

Flooring is one of the best moderately priced upgrades a seller can install to make a huge difference. While I like the concept of "choose-your-own-carpet" offers in home listings, think about what else it's saying: "We're too cheap to fix up the house now, so we'll let you walk through our tattered, stained carpeting and let you get it installed the weekend after we leave." Like I said, make your house a "wow" by making that first great impression with new carpet.

Replacing dated items. Sometimes replacing certain items in the house is really more like maintaining your home instead of upgrading it. Items like windows, doors, light fixtures, faucets, door hardware, etc., need upgrading and replacing periodically. A walk down the light aisle at your favorite hardware store reveals this could be done on a budget. Nevertheless, there's nothing more gross looking than a brass light fixture that's chipping and rusting. Keeping up with the Joneses

At some point you have to look at what the neighbors are doing and keep up or you'll lose out. If everyone in the neighborhood is ripping out the old and installing the new (kitchen, bath, carpet, doors, etc.) then you may be forced to do the same thing long before you're thinking of putting your home on the market. My wife and I are facing that right now with the kitchen. It's starting to show its age, which means before we put the house on the market in a few years, if I want the best buyer (or any buyer for that matter) the kitchen cabinets need an upgrade.

Redo, Remodel, Relax

As you look around the house, making your list of things to change before putting the house on the market, remember to create some time to enjoy your new digs before selling the place. If a sale is on your horizon and you must redo the landscaping before putting the house on the market - do it early so you can drive home to the professionally designed flowerbeds and floral creations a few months or years before selling it to someone else.

While you want to repair, paint, remodel and add on to your house because it adds value to your home, every homeowner should especially do it because they want to enjoy the changes as well.



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A Tale of Two Headlines

by Peter G. Miller

It's been difficult to pick up a paper during the past few weeks and not notice two major stories: The Dow Jones Industrial Average reached a record 12,000 while real estate values are falling.

A recent visitor from Mars could look at such headlines and instantly conclude that the best place to invest one's money would be the stock market. However, a savvy Earthling might want to look with a little more care.

The old DJIA record was established on January 14, 2000 when the Dow topped out at 11,722.98. At the close last Wednesday the Dow stood at a new high: 12,134.68. That's an increase of 411.7 or just 3.5 percent over almost seven years.

Investors during the same period would have done better with a passbook savings account at 1 percent per year.

The Dow today is not the same as the Dow in 2000 because the same bundle of stocks is not being measured. In April 2004 three firms on the Dow were replaced. American International Group, Pfizer, and Verizon Communications were added while AT&T, Eastman Kodak and International Paper were dropped. In other words, comparing the Dow in 2006 with the Dow in 2000 is not the same as comparing apples with apples, it's comparing apples with yogurt.

Corrected for inflation it would take \$13,813 today to buy the same package of goods that \$11,723 would have bought in 2000.

The Dow does not reflect the entire marketplace. As examples, the NASDAQ stood at 2,356.59 on Wednesday, down more than 50 percent from the 5,048.62 reached on March 10, 2000. As to the S&P 500, it closed on Wednesday at 1,382.22 -- significantly below the 1,527 level reached on March 24, 2000. One of the reasons per share prices and dividends have been rising is very simple: Shares are being bought back by issuing companies, which means there are fewer shares available for purchase. At the same time, the number of dollars pouring into retirement accounts increases by hundreds of billions of dollars each year.

For example, companies in the S&P 500 bought back shares worth \$116 billion in the second quarter of 2006, a record and 175 percent higher than the second quarter of 2004.

"The record \$116 billion in buybacks is the result of over 40 percent of the S&P 500 companies reducing their share count during the second quarter," says Howard Silverblatt, Senior Index Analyst at Standard & Poor's. "The unprecedented expenditure on buybacks and the resulting share count reduction is having a material affect on both earnings-per-share and cash flow. Left unabated, this will eventually impact the supply of open market shares, and therefore the share price itself."

Okay, what about those falling real estate values?

According to the National Association of Realtors existing home prices stood at \$220,000 in September, down 2.2 percent from the \$225,000 recorded in September 2005.

Even with the new math you have to say that \$220,000 is less than \$225,000. But how many people buy and sell a house within a year? Isn't real estate a long term investment, something people own for years on end and often for decades?

Let's go back. It turns out that in 2000 -- when the Dow hit the then-record of 11,722.98 -- the typical existing home sold for \$139,000. In other words, while stocks have been treading water since 2000, the typical home increased in value by \$83,000.

What does it all mean?

First, despite recent news, real estate has done remarkably well in most places and for most people during the past few years when compared with the stock market.

Second, broad indexes -- whether up or down -- are fun to follow but may not be especially useful. No one buys all stock or all real estate, we purchase a particular stock or a given property. For instance, it's surely possible that contrary to the movement of broad indexes in the past few years some stocks rose terrifically while some homes saw significant value reductions.

Third, financial decisions should be made in the context of the particular investment being considered. National trends and broad indexes are nice, but really they're just financial background noise. Most importantly, neither national indexes nor prior experience tells us with certainty what will happen in the future. As stock brokers explain, past performance does not guarantee future results.



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