

Rick's Homeowner News™



Courtesy of Rick Crabtree ☞ Realty Executives Suncoast ☞ (727) 637-2346

October 2011

Is Now the Time to Buy?

There is an old investment rule that virtually everyone knows – buy low and sell high. It sounds obvious and quite simple. What is often neither simple nor obvious is telling when the market has reached the low point, and when it is getting high.

Let's take a look at the current real estate market. According to The Wall Street Journal, on the national level the average home prices are now down to the 2002 levels, and in the most distressed cities all the way down to where they were in the 1990s. The last peak occurred in 2006, and we are now obviously in the valley. I have to bring up the concept of peaks and valleys because that is how the market operates. We have had a downturn in a number of markets during the 80s and early 90s; and we have seen prices rise to the peak of 2006, when they started slipping again. Looking further back into history, we will remember the lows of the Great Depression, and then the exuberant golden age period after World War II. But, for some mysterious reason, many seem to forget the history and think that the present moment will last forever. During the last real estate boom, it was often believed the good times will last forever. Now it seems the gloom will never end.

It will.

In fact, the real estate market is looking very attractive now for those thinking of buying. Mortgage rates are at incredibly low levels: 4.01% (as of September 29).

According to FreddieMac, we haven't seen rates this low since 1951! And this is on top of already reduced prices! Yet another positive indicator is the ratio of home prices to income: according to The Wall Street Journal, this ratio is now 20.9% lower than the average between 1995 and 2010. This would indicate that homes now may be more affordable than they were during the soaring times.

Still, the housing market is moving slowly. The reasons for this may be found in the fact that the unemployment, currently at 9%, is still higher than what we were used to, which spooks many would-be buyers. Foreclosures and short sales are still keeping the supply high, depressing home values and adding to the time it takes to sell a home. All this contributes to the



feeling of economic uncertainty, which tends to cause people to sit on the fence and see what happens next.

What happens next in the short term is not always easy to predict, but long term is clearer. The main benefits of owning a home remain in place: long term appreciation, tax deductibility of mortgage interest, and the emotional benefits of owning your own home. On top of this, as Mark Twain would say, they are still making more people but not making any more land. With population growth and creation of new households, the demand for housing will continue to rise, which all means good things for real estate ownership.

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Your friendly, local Realtor needs your help. My business depends on people like you who recommend me to their family and friends. I work hard for my clients and handle each real estate transaction that I'm entrusted with as if it was my own. I believe this is the best way to earn my clients' loyalty and the best way to fulfill my duty as a Realtor. Right now there is probably someone you know who is thinking about buying or selling a home. Why not tell them about me?

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Mystic Contract Word: Contingency

“Contingency” is one of those words that often pop up when talking about real estate contracts. Every real estate contract contains contingencies that impact both buyers and sellers, so let’s demystify this word.

Simply put, a contingency is a condition – if A happens, then B follows; or in order for X to happen, Y must occur first. For example, the buyer (and her lender) want to be sure that a property is worth its price, so the sale is “contingent upon” (depends on) the appraisal. If the home is appraised at or above the purchase price, the sale occurs; if the appraisal comes in lower, then the contract can be cancelled or re-negotiated. This condition written into a contract is a contingency.

What are the most common contingencies? The one described above is always present when the buyer is obtaining a mortgage. Another very common one is the Financing Contingency – if the buyer is unable to obtain financing, the sale is off. Every smart buyer will also insist on an Inspection Contingency – the home must pass a property inspection, or the contract is renegotiated or cancelled. And the Title Contingency is an absolute must – the seller must deliver a clear title, or no deal.

There are a number of other contingencies that both buyers and sellers can request depending upon the particular situation. A buyer may want the contract to be “contingent” upon the sale of her current home. The seller may want the contract to be “contingent” upon the buyer proving her creditworthiness. Whatever the case may be, properly written contingencies help both parties understand and anticipate certain events in the transaction, and outline rules for how those events will be handled.



So what are the elements of a proper contingency? First and foremost, it must be written into the contract. Handshakes and verbal promises are hard, if not impossible, to enforce. Secondly, it must be very specific. For example, simply writing that the “Sale is contingent upon a property inspection” means very little. How much time is allowed for the inspection? Who pays for it? What happens if some unsatisfactory condition is discovered? How much time do the buyer and seller have to agree on the solution? The details must be spelled out in the contract, and a clear timeline agreed upon, in order to avoid confusion and potential legal problems.

And how do you know what contingencies should be in the contract and how they should be worded? Ask your Realtor. That’s exactly what we are trained for – to know how to properly put the contract together to make sure that your interests are protected. A good agent will listen to your needs and concerns, then ensure that all the necessary contingencies are written into the contract. Oh, and a good agent will also be able to explain them to you in plain English.

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This brings us back to where we started: peaks and valleys. Buying low and selling high is a logical rule, but people are not purely logical creatures and are influenced by emotions too. This might be why when the market is super-hot, so many get caught up in all the activity and excitement, and jump in to buy – precisely when the prices are high. And the emotions are certainly playing the part in the decision of many to stay out of the slow market, even though this is precisely the “buy low” time. But with the current low interest rates, low prices and plenty of inventory, today’s real estate market is a very inviting place for shrewd buyers. After all, when the current valley is behind us, a new peak is bound to come.

Do you have questions about buying in today’s market? Or about home values in a specific part of town? Feel free to give me a call or send me an email. A consultation is always free and there is never any sales pressure.

Free
Special
Report
Available!

The Seven Expensive Mistakes Buyers Frequently Make is the special report no buyer should be without! If you are thinking of buying a home soon, arm yourself with the knowledge that can help you avoid expensive mistakes too many people have made. Request this report today at no cost or obligation:

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Fresh Ideas for Halloween

Halloween is just around the corner, so here are a few tips you may find useful:

Planning on using stencils when making your Jack-o'-Lantern? It's not necessary to buy stencils from a store - you can easily make your own. Find clip art you like, enlarge it on your computer and print it. Voilà - you've got a stencil! Or check the Internet for sites like CarvingPumpkins.com where you can download free patterns along with carving instructions and tips.

Not every pumpkin needs to become a Jack-o'-Lantern; there are other interesting ways to use them. For example, small pumpkins can be used as votive candle holders. Planning on serving veggies and dip at your Halloween party?

Medium-sized pumpkins can be used as "serving bowls" for veggies - just cut the top off, clean it and voilà - you have a unique serving bowl. Small pumpkins can be used to hold dip.

Want to know how to get your kids to eat less candy on Halloween? It's simple - make sure they eat a big dinner before they head out to trick-or-treat. And when they return home with bags full of sugary treats, consider offering a "trade-in program." 10 pieces of candy in exchange for a trip to the movies; 20 pieces in exchange for a day in an amusement park, or something similar.

If throwing a Halloween party is in your plans, don't forget to plan some fun activities for your guests. For kids, a good old-fashioned ghost story is always fun. Pick an age-appropriate book, turn off the lights, put a flashlight under your chin for added effect and let the spooky tale unfold. Another idea that can be fun for any age group is a circle ghost story. Gather your guests in a circle, and start a

story with one sentence. The next person adds a sentence, then the next adds another and so on in a circle, until the tale reaches a chilling ending.



Looking for a way to make your party unique this year? Consider throwing a themed party. For example, you can ask your guests to show up dressed only as vampires, or witches, or zombies... Or throw a Hollywood Halloween party where everyone dresses as a character from a horror movie.

Finally, a few words about safety... When making costumes for your little trick-or-treaters, add a few pieces of reflective tape or a glow stick or two. Other than the obvious benefit of making them more visible to car drivers, this will make it easier for you to spot them if you get separated in a crowd. If



your trick-or-treaters are going out into the night on their own, make sure they carry a flashlight, and warn them to stay in well-lit areas and don't go through alleys or unfamiliar streets.

Happy Halloween!



Ask an Expert

Q: What's wrong with buying a car just before buying a home?

A: A new car loan will almost certainly decrease the mortgage amount you can qualify for. Then, either you will have to settle for a smaller house, or a cheaper neighborhood, or you could even get declined for mortgage altogether. The reason for this is that lenders look at the ratio between your total monthly loan payments and your income. By getting a new car loan, you have increased your monthly payments, so now less of your income remains available to pay the mortgage. The difference between the mortgage payment you could have had and the one you will be approved for after the car purchase will be approximately the amount of that car payment. For example, if your new car payment is \$400 per month, then your mortgage payment will likely have to be \$400 less. At the interest rate of 4.5%, this means you are facing an \$80,000 decrease in the purchase price you will qualify for. So, no, do not buy a car if you plan on purchasing a home soon.

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Property Caretaking Services

Do you need someone to check in on your vacation home from time to time while you're away? We can do it.

If you're away from your vacation home for long periods of time and want the security and peace of mind of having someone here to check in on it from time to time, please call us. We will look through the house and ensure that things are as they should be. We can also prepare it for your return, turning the water heater back on, the refrigerator, etc.

October 2011

ARCHITECTURE CORNER



THE HOUSE ON HAUNTED HILL

One spooky night in 1959 an eccentric millionaire Fredrick Loren invited five people over for a party. The venue: the House on Haunted Hill. He offered \$10,000 to each person who would dare to stay in the house the whole night. The catch: it was no ordinary house! As the clock struck midnight, and the caretaker locked all the doors and escape routes, the five guests faced the unimaginable: ghosts, walking skeletons, and – murder!

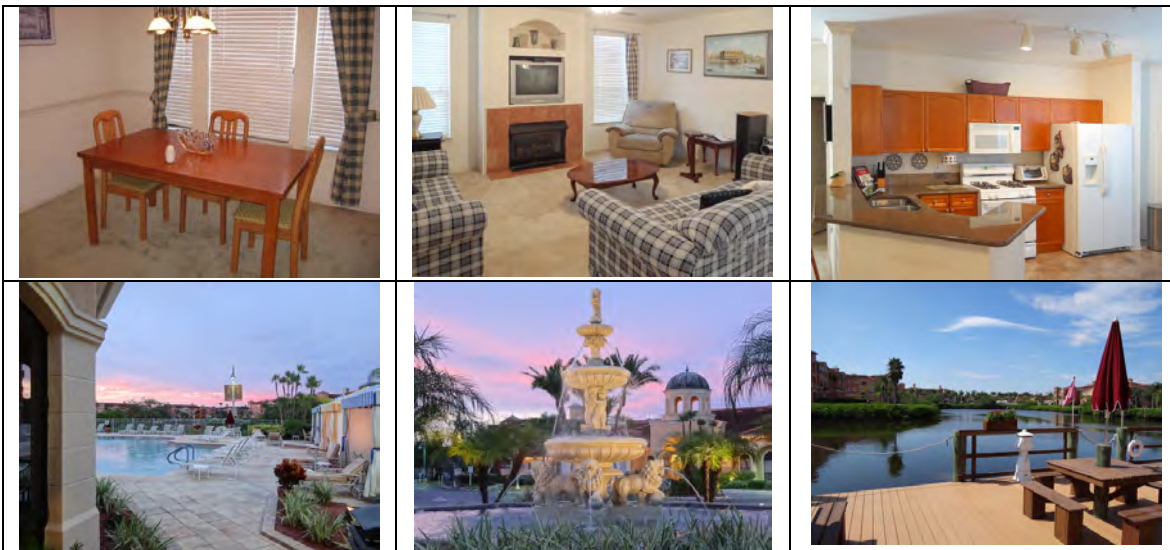
Sounds like a Hollywood film? Well, it is. The House on Haunted Hill is the name of a horror movie classic. But the house itself – is real. Its real name is Ennis House, and it is located in Los Angeles. No ghosts or goblins live in it, and its millionaire owner Ron Burke is by all accounts a pretty normal guy, who recently bought it in order to fix and preserve it. The thing is, Ennis House is a historical place designed by Frank Lloyd Wright, and is one of only four of his “textile block” designs.

The architectural style of Ennis House is very unique, very rare, and can be described as Mayan Revival. It is influenced by Mayan ruins in Yucatan peninsula in Mexico, especially the old pyramid in Uxmal. The most notable characteristic of Wright’s design is the extensive use of textured concrete blocks – 16' by 16' squares with relief. The “textile blocks,” as they are known, cover both the exterior and interior, giving the home the look and feel of an ancient Mayan temple. Frank Lloyd Wright’s more recognizable touches are present too: stained glass windows, warm wood throughout, and exposed natural materials in the Prairie Style.

Ennis House has appeared in over dozen films, besides the already mentioned horror classic; Blade Runner was filmed there, as well as The Thirteenth Floor, The Replacement Killers, Rush and others. It achieved a bit of notoriety as a place where villains reside, and Hollywood directors love it for its unique look and very convenient location to their movie studios. The house was, unfortunately, damaged in the 1994 Northridge Earthquake and never completely repaired. The new owner hopes to restore it to its original glory, and perhaps one day allow public tours.



Beautiful Furnished Designer Condo For Rent



2717 Via Cipriani Unit 610B

Minutes away from shopping and beaches, downtown Clearwater or Tampa. 2 bedrooms, 2 ½ bath, efficient central A/C, Floors are tile and carpet. Granite counter tops, gourmet stove, dishwasher. Washer and dryer inside unit. Swimming pool, sauna, spa, kayaking, pet walks, tennis courts, tot lot, fitness center and lots other amenities in gated security community. Pets considered. Fully furnished. \$1295/month, \$1250 deposit.



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In Countryside – Beautiful Designer Townhome For Rent



2745 Enterprise Rd E Unit 27

Minutes to beaches, blocks to Westfield mall. Large 2 bedroom/2 bath updated townhome in upscale community. High ceilings, dramatic wood floors, efficient A/C. Gourmet kitchen, inside upstairs laundry room.
\$1095/month, \$1045 deposit, most pets OK.



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