

Gabe's January 2013

HOUSECALLS

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Happy New Year 2013!



Best seats for 3-D movies

Does the D in 3-D movies stand for Dizzy?

Do you start to feel a little nauseous, kind of woozy or vaguely ill? The problem might be your seat.

Reporting in Prevention, the researchers found that those seated near the outside edges of a theater sometimes experienced blurred vision or motion

sickness from the images.

Pacific University College of Optometry researchers surveyed 203 adults and teens who were asked to watch 3-D films from a variety of distances and angles. The results were clear: The rear center of the theater offers the best, least nauseous, experience.

They're back! Investors snap up houses

Last year, when Warren Buffet called single family homes an attractive investment, he was apparently preaching to the choir.

Investors and investment companies snapped up 100,000 homes in the first half of 2012, according to real estate research firm RealtyTrac.

Distressed, foreclosed homes in the states hardest hit by the real estate crisis have been purchased at low-ball prices by investors who hope to make necessary improvements and then resell fast. After making essential repairs, the homes are selling, on average, at markups of \$29,000.

That is just one of the reasons why, as before the housing bubble, in many areas there are more buyers than homes available.

Some flippers are updating homes to



use as rental properties. The ventures should be profitable for years to come, considering the high demand for rental homes and an outlook of rising rents.

Blackstone Group spent more than \$1 billion on 6,500 foreclosed homes throughout the United States. Most of them will be repaired and rented.

According to Time, house flipping might seem vulture-like, but in many ways, it's good for communities. At least homes that are purchased for quick sale get fixed up. Otherwise they become eyesores, as they steadily deteriorate, drawing people and animals looking for a deserted flophouse.

How house pros flip houses:

- * They monitor foreclosure rates, which have increased in some cities.

- * They analyze pricing and occupancy trends in the neighborhood.

- * They pay low dollar for everything. They get in cheap to make repairs and hold the property until it sells.

- * If they can't sell them, they rent them.

Ask the Expert



We've found our dream home. Our lender suggests we finance with an open-end adjustable-rate mortgage. Is that a good idea?

That depends on your personal circumstances. The open-end mortgage is a legitimate instrument and works well for some people. I personally would rather have a regular ARM or a fixed rate 15- or 30-year mortgage.

Regardless of the type of loan you choose, your dream home will require a jumbo mortgage, which means you'll borrow at least \$625,000. Interest-wise, the jumbo can be a good deal, sometimes having a lower interest than a regular 30-year fixed rate mortgage.

Today, adjustable rate mortgages account for 30 percent to 40 percent of private jumbo loans at Bank of America and about half of the private jumbo loans by NASB Financial, the holding company of North American Savings Bank. How ARMs work

All ARMs have a fixed rate for a certain number of years before they become variable, usually resulting in a significant

Investing in Real Estate

If you are searching for a way to build a nest egg for your retirement or to put aside enough money to send your kids to college, one of your best possible strategies is to invest in real estate and to hold that property for an extended period of time.

I once remember reading that 90 percent of the fortunes made in this country were based upon owning real estate. Given the market downturn over the last few years, many people took serious losses in the value of their real estate holdings. Nevertheless, real estate investment is still one of the soundest financial moves that you can make, provided you are smart about where and how you invest.

This is especially true now due to the low prices and the low interest rates. Moreover, property values generally keep pace with inflation. This also means that you are paying off today's purchase with tomorrow's inflated dollar.

The people who build major fortunes in real estate tend to be contrarians. They buy when others are selling and sell when others are buying. They also avoid flipping, because, as one investor put it, "Flipping is nothing more than a Ponzi scheme." Instead, they consistently build their real estate portfolio by buying and holding their investment properties.

While the value of your property may go up and down, very few properties ever go to zero value. This means that if you pay off your property in 15 years, you will have an asset that has cash value that also functions much like an annuity. Here's a real-life scenario to illustrate this point:

A buyer who wanted to establish additional cash flow for retirement purchased a duplex for \$245,000. The buyer put 20 percent down. The property required minor repairs and ran about

\$700 per month negative. (Under normal circumstances, this property would have been about \$100 per month negative if the client could have taken the depreciation and other allowable deductions. He was unable to do so due to the alternative minimum tax requirements.) The client elected a 15-year loan to pay off the property as quickly as possible. That was 16 years ago. Here is where he is today:

1. Despite the real estate downturn, the property is currently worth \$550,000 (i.e., it has more than doubled in value over the last 15 years). Even though the property was under rent control, the owner was able to increase the rents sufficiently to break even after five years.

2. Current operating expenses are about \$12,000 per year (this includes reserves for repairs, taxes, vacancies and other operating expenses).

3. Gross income (the amount earned prior to expenses) is currently \$36,000 per year with net income at \$24,000 per year.

4. To sum up, the property is now free and clear. The buyer has recuperated all of his down payment and has an asset worth \$550,000 that spins off \$24,000 per year in net income.

Compared to other investments, a CD at 2 percent would require an investment of \$1.2 million to generate an income of \$24,000 per year. A stock investment that yielded a 6 percent return of \$24,000 per year would have required a \$400,000 investment. In this case, the buyer's initial investment was only \$49,000 plus closing costs.

increase in the interest rate. A five-year fixed rate is typical, but the time period can be as long as 10 years.

Note that ARMs got a bad name during the housing bust, because borrowers couldn't afford the higher interest when the original terms expired.

Since you are a high-net-worth buyer, your risk of being unable to make monthly payments when the interest rate rises is small.

Open-end mortgages

Some jumbo home-loan buyers do opt for an

open-end mortgage, which is an entirely different type of loan.

It's a mortgage that allows the borrower to increase the amount of the mortgage at a later date. The total outstanding principal must not exceed a certain amount, such as 80 percent of the appraised value of the home.

The loan is similar to a home equity line of credit, which allows homeowners to pull equity out of their homes as well as make larger payments on the property.

Have a shot at keeping your New Year's resolutions

Once again the new year and the inevitable resolutions are upon us. Lose weight. Exercise more. Be more responsive to the family.

Those are the typical goals that people make and break in January. Sometimes it seems that the only new years resolution that works is resolving not to make one.

Still, these are good commitments. If you want a better chance of making them stick, you might heed the advice of Roy F. Baumeister and John Tierny, authors of "Willpower: Rediscovering the Greatest Human Strength."

First, remember that every exercise in mental self-control takes a physical toll.

The authors give an example of an experiment in which hungry students were immersed in the yummy smells of baking chocolate cookies. Some of the lucky hungry kids were put in rooms by themselves and told to eat the warm cookies if they wanted to. Other unlucky students were left alone in a room and



told they could not eat the cookies but they could eat radishes. The radish eaters used their willpower to not eat the cookies. Later, the radish eaters, having exhausted themselves by not eating cookies, were much less able to spend time on other tasks.

Willpower, the author says, is diminished with use. Resisting temptation costs willpower and so does controlling strong emotions or focusing on a mental task. So if you are tired, overworked and overwrought, you are in danger of breaking resolutions because you don't have any willpower left to keep them.

Luckily, willpower is also replenished by rest. So if you want better family relationships, come home early or give yourself time to rest after work. If you want to exercise more, make sure you aren't mentally exhausted before you get on the treadmill.

You can help yourself by doing certain things too. If you are on a diet, you can plan ahead as to what you will do when confronted with a buffet (I'll eat the

Tell me what Twitter is and don't tell anyone I asked

*What are you doing?
I'm at the store.*

That is a twitter conversation. Deep, eh?

Probably you noticed the endless counting of tweets during the elections and maybe you thought you were missing something.

If you felt left out, here's the lowdown:

Twitter.com is actually a website that offers you memberships to its tiny conversation system.

The conversations, called tweets, are only 140 words or less.

When you become a member you can look up friends, even famous people, and 'follow' their tweets. So if you are gaga for Gaga, you can check out what the Lady is saying today on your Twitter feed.

If, during your 140 word tweet (that's what your 140 words are called), you wish to reference a topic of interest to many people, you can put a hashtag in front of the word like so: #2014economy. That way that subject will be accessible to lots of people and you will get to see posts from other people talking about it.

There are even web sites that record memorable tweets. Most are edgy and a tad spicy. You might try going to mandatory.com or Google 'Funny tweets.'

Cash Mobs organized online by buy-local advocates

One Saturday, near Los Angeles' skid row, a mob formed outside a little gift shop and cafe. The shop owner was delighted.

In the next couple hours, \$1,200 worth of candles and soaps were purchased by the members of the pinstriped riot.



The event is the newest social activism made possible by social media like Facebook. The altruistic sister of the exhibitionist Flash Mob, this new phenomena is called the Cash Mob and it is designed to put money in the pockets of local businesses.

The idea was the brainstorm of a systems engineer in New York, who was concerned about the effect of big retailers and drastic discount schemes on local business. He used Facebook and Twitter to organize the first Cash Mob. The idea was apparently ripe for its time because a Cleveland attorney had the same idea a few weeks later.

Now the idea seems entrenched in the culture. The Los Angeles Times estimates there were about 200 Cash Mobs in the U.S. during 2012. There have also been Cash Mobs reported in Europe.

According to Time magazine, some studies show that spending money at local businesses has a bigger local economic impact than shopping at big chains. Owners say they not only have a good sale day, but find the mobsters return in the future as new customers.

Our Featured Listings

Great open spaces in this 4 Bedroom, 3 Bathroom, heated and screened pool home in East Port saint Lucie. Rare over 1/2 Acre lot on canal (non-navigable) with lots of room for gardens, parking or just to enjoy that private feeling with lots of room between you and your neighbors. A large eat in kitchen is the center piece of this home with a bright family room with skylights and a formal living and dining areas. Master suite has walk in closet and dual vanities with separate tub and shower. This 1999 built home is solid CBS construction and has accordion hurricane shutters. Easy access to Jensen Beach and the beaches via the Green River Parkway and close to the Port Saint Lucie Civic Center as well as restaurants, shopping and medical facilities.

\$230,000

[Click here for more info.](#)



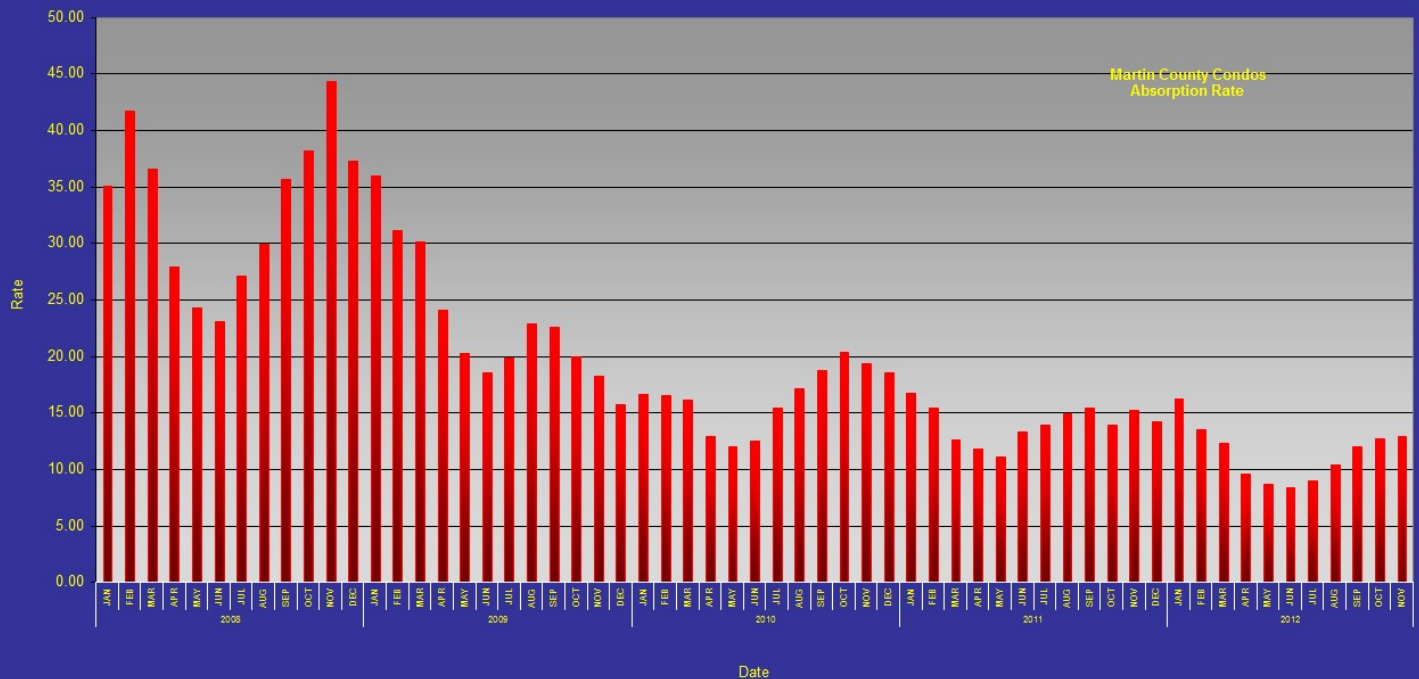
Hutchinson Island waterfront .45 acre lot in Pelican Pointe West. A small private gated subdivision just on the north side of Herman's Bay. This lot is located on a cul-de-sac with city water and sewer available. A deep water common dock is adjacent to this location for easy access to your future boat. Deeded beach access is included. Perfect location for your future Hutchinson Island dream home with both river and ocean access!

There are only 8 building lots in Pelican Pointe West. At this writing, two homes have been completed and are in use. Currently under construction are two multi-million dollar homes on the ocean side in Diamond Sands. Coming soon is a high end condo community just south of Diamond Sands called Marisol. Please call for details on any or all of these projects. .

Offered at \$449,000

[Click here for more info.](#)

Absorption Rate Martin County Condos
(3 Month Average)



View the complete set of Martin County graphs at: www.TreasureCoastFLHomes.com



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