



# Market Trends Edition

Volume 3 Issue 3 May/June 2007

## Navigate the Shifting Sub Prime Market with Commercial and Residential Real Estate Investment

By Elaine VonCannon

In my market trends article, "Real Estate Market Trends: Understanding the Sub-Prime Market Changes", published in the March/April newsletter featured on my web site <http://www.voncannonrealestate.com>, I explored the current sub prime market changes. I wrote of how David Lereah, chief economist for the National Association of REALTORS believes that sub-prime lending problems may build and inhibit future housing activity, but will be contained and leave the prime mortgage market unaffected. In Virginia, the economy continues to grow despite concerns about increasing numbers of foreclosures across the nation in the sub prime mortgage market and some experts claim this shift will be positive, leaving the prime mortgage market in tact. Whether you are located in Virginia or other states, navigating the sub prime market while the real estate waters are choppy is tricky. You must learn how to invest wisely and hire an experienced, trustworthy real estate professional to assist with the ins and outs of commercial or residential real estate investments.

### Residential Real Estate Investing: A Strategy for Success

As the number of potential homebuyers drops due to stricter sub prime mortgage lending requirements, residential investors have a unique opportunity. There are only a small number of mortgage lenders offering sub prime mortgages now. This leaves homebuyers dealing with credit issues out in the cold when it comes to purchasing a home or property. People with credit issues, some who need to spend a year or more building and repairing their credit before they buy, are now creating an exciting residential rental market. Additionally, in a May 16, 2007 article in The Examiner entitled "Regional Foreclosures Highest in the Nation: Subprime Market to Blame" writer David Francis discusses the rising foreclosure rate in Virginia. "Foreclosures increased by 18% in Maryland and 17% in Virginia, the second and third-largest national increases," Francis writes. "Experts said the dramatic increase in the number of regional foreclosures is a fallout from the subprime lending market. These loans-given to people with limited or less than stellar credit history-have been extremely popular in the region in recent years as buyers attempted to cash in on soaring housing prices," he continues. As these homeowners experience foreclosure they again become part of the rental market. Other factors also affect the Tidewater and Hampton Roads region. The number of military families stationed temporarily on local bases affects the rental market even more now that the real estate market has slowed. Military families relocating to the area are generally stationed for only 3-5 years, which is not enough time to purchase a property and sell it for a profit.

### Building Wealth for Retirement with Commercial Real Estate Investment

Another incredible strategy for dealing with the sub prime market changes is to investigate the benefits of commercial real estate investment. These investments are not just to create residual income from rentals but they can also be used as 1031 Tax Exchanges and generate investment success. To learn more about using a 1031 Tax Exchange to plan for retirement visit my web site and read "Buy Now, Retire Later: An Investment In Your Dreams". Land, commercial property and residential property all qualify under the IRS 1031 laws and commercial real estate investments are a great way to build wealth quickly and solidly. Another way to build your wealth, as well as planning for retirement, is to put your investment properties into retirement accounts. According to John Starke, real estate broker and investment specialist with RE/MAX Capital in Williamsburg, "you can use real estate in a variety of IRA's including a SEP or traditional IRA. Different types of real estate trusts have also been successful over the last twenty years." Starke recommends that investors interested in funding their retirement with real estate meet with an investment custodian that specializes in using real estate for retirement. One such company, Sterling Trust in Waco, Texas explains on their web site <http://www.sterling-trust.com> that a Roth IRA, traditional IRA or single-participant 401(k) can be used to purchase real estate, however, it is essential that you understand the tax laws clearly. While real estate is held in a retirement account it must be used for investment purposes only and cannot be used by disqualified parties for personal benefit, usually this refers to yourself and family members. Some perks of hiring an investment custodian is that they can handle all manner of payments on your investment property including homeowners' association fees, utility bills and taxes. For more information on residential and commercial real estate investment, the sub prime market trends or real estate in the Williamsburg and Tidewater areas visit <http://www.voncannonrealestate.com>.



## Vacation Property Sales Increase

By Phoebe Chongchua, Realty Times

According to the National Association of Realtors, more than one million people bought vacation homes in 2006. Industry experts say the NAR data is good news for those considering purchasing a vacation home.

"Their data basically [reported] that vacation-home sales rose in 2006 based on a 4.7 percent increase [over the previous year]," says Christine Karpinski author of *How to Rent Vacation Properties by Owner, 2nd Edition: The Complete Guide to Buy, Manage, Furnish, Rent, Maintain and Advertise Your Vacation Rental Investment* (Kinney Pollack Press, 2007, ISBN: 0-9748249-9-2, \$26.00) and Director of Owner Community for HomeAway.com.

Despite those results, is now really a good time to buy a vacation property?

"There's a lot of talk about what the real estate market is doing and that this is the third worst time in the real estate market as far as things dropping but we haven't seen a significant drop in the vacation market. As a matter of fact, in a lot of markets it's still going up. Now that doesn't mean that all of them are; some [vacation markets] have gone down a little bit or are normalizing," Vacation home sales and investment home sales together accounted for 36 percent of all existing and new residential transactions. Karpinski says, the survey results signal a "definite green light to anyone thinking of buying a vacation property."

Karpinski says it's important for consumers to understand that there are different segments of the real estate market.

"The general public tends to view the real estate market as a whole," says Karpinski. But she says that not all real estate markets perform the same. The residential market is different from the investment, commercial or vacation properties. They really are two separate and distinct markets. So don't let the doom-and-gloom sayers discourage you, and don't let a sluggish real estate market in your area do so, either. You're on a whole different playing field," adds Karpinski. There's more good news for vacation-home shoppers according to Karpinski. She says that investment home sales are down by nearly 30 percent since 2005.

Fewer speculators in a market means less muddying of the water and perhaps less driving up of sales prices. "If you're buying a second home for your personal use, you don't want to compete with speculators. You want to take your time and make a thoughtful purchase you can feel good about," says Karpinski. If now is a good time to jump into the vacation home sales market, do you have to be wealthy to buy? Karpinski says not at all.

"Even if you can't comfortably afford two mortgages, it's not difficult at all to offset the cost of your vacation home," says Karpinski. She adds that you can rent it out part-time and enjoy it at other times and "As I point out in my books, if you rent out your home only seventeen weeks out of the year, you can still break even."

An important consideration before buying your vacation home is to make sure that you have the ability to rent it out, even if you think you aren't likely to do this at the time you're buying the property. "Having that safety net to be able to rent out your home is very important even if you're sort of dead set against anybody renting your home now. The reason is that there are a lot of homeowners associations and municipalities that don't allow short-term rentals," says Karpinski.

So buying in an area that doesn't allow short-term renting will not provide you with a safety net and Karpinski says it could hurt your resale value. "Vacation homes that can be rented typically hold their value better because you've got that money to help off-set [the cost] and your pool of buyers then opens up," explains Karpinski. As with any real estate purchase, the best assurance for a good investment is acquiring an education about the area you're buying in, researching restrictions, and hiring qualified industry experts to guide you through the process.

## ELAINE'S PICKS



### Sal's By Victor Italian Restaurant

Chef Victor of the International Olympic Committee invites you to be his guest at Sal's by Victor. For the past 7 years, his restaurant has been voted Williamsburg's best Italian restaurant and pizzeria by the readers of the Virginia Gazette. Stop by today to see why. Sal's offers southern and northern cuisine, New York style pizza and subs, and imported and homemade desserts.

#### For More Information:

Sal's by Victor  
1242 Richmond Road  
Williamsburg, Virginia 23185  
(757) 220-2641

[www.salsbyvictor.com](http://www.salsbyvictor.com)

### Nails Uptown

Jenny Do, owner and operator

Nails Uptown specializes in only the best nail care. They offer a wide range of services, from acrylic nails to deluxe spa pedicures. With so many loyal customers, it is easy to see why Nails Uptown is the best nail salon in Williamsburg.

#### For More Information:

Nails Uptown  
Williamsburg Crossing  
5251 John Tyler Highway  
Williamsburg, Virginia 23185  
(757) 564-1809



# Don't Flush the Toilet, I'm showering!

## Do-it-yourself fix for water pressure problem

By Bill and Kevin Burnett



**Q:** When someone is using any of our three showers and the water is turned on elsewhere in the house, the water temperature in the shower fluctuates instantly. Several months ago I saw a product at the end of, I think, "This Old House," that is installed near the showerhead and ensures a constant temperature even when other water sources are used at the same time. I believed they called it a surge protector. No one appears to know what I am referring to. Could you please help?

**A:** You've articulated a common problem. Someone is in the shower; someone else flushes the toilet; the water pressure drops dramatically; and the warm shower turns real hot, real fast.

Toilet flushing isn't the only cause. The washing machine could kick into its rinse cycle or the automatic sprinkler could come on. Maybe someone just gets a drink from the kitchen faucet. Whatever the source, the cause is the same -- increased demand on the home's water supply drops the pressure in the system. The problem can be exacerbated in an older house where corrosion in galvanized piping further restricts the flow of water in the pipes.

Whether there's an easy solution depends on the type of shower control valve you've got. If you have a single-control valve, the fix is probably pretty easy -- it's a matter of changing a cartridge inside the valve. If you have separate hot and cold valves, the fix is tougher -- you have to replace the valve.

We remember the TV program you mentioned. It wasn't "This Old House"; it was "Ask This Old House." Tommy Silva, Roger Cook and Rich Trethewey make house calls to help homeowners in need of a little professional assistance. In this particular episode, plumbing pro Trethewey was faced with the same problem you've got: fluctuating water pressure. His solution was to install a pressure balancing valve in the shower control. This is also known as a mixing valve or an anti-scald valve.

A pressure-balanced shower valve is designed to compensate for changes in water pressure. Although it looks like any other shower or tub valve from the outside, it has a special diaphragm or piston mechanism inside that moves with a change in water pressure to immediately balance the pressure of the hot- and cold-water inputs.

Any licensed plumber should be able to tackle the job. Repair for the single valve should take an hour or so once the replacement part is in hand. This is also something a willing do-it-yourselfer can tackle. The dual control is a much bigger job requiring removing the existing valve and replacing it with a new single-control valve. Count on some wall or tile repair also.

If it's a single control, the first step is to determine the manufacturer. If it's a name-brand valve, such as Delta or Moen, replacement parts should be readily available. If not, you're probably looking at replacing the valve. If it's a name brand, go to the company's Web site. You should be able to download a schematic of the valve. See how the valve goes together and decide whether you want to take on the job.

If it's a go, call a local plumbing-supply house and ask if they carry repair parts for your particular make and model of valve. While the average homeowner might be a little leery about contacting a business that sells mostly to the trade, our experience is that if you go in with a clear idea of what you want, these establishments are most happy to sell to you. Don't expect a how-to course, though. A few judiciously chosen questions are OK.

Once you have the part, change it out. Because every valve is a bit different, we can give you only a general process. First, turn off the water. Next, remove the faucet handle and the escutcheon to expose the interior of the valve. Remove the cartridge and replace it with the new part. Reinstall the escutcheon and handle. Then test the job by turning on the shower and have someone flush the toilet. Hopefully, the pressure problems will be solved.

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**\*\* If you would like to see all of the properties that have sold in your zip code in the past month, please email me or call me at (757) 564-1557. This is a great way to see how the market is doing in your area, especially if you are considering listing your home for sale in the near future. I am more than happy to offer you this complimentary service, so please let me know if you are interested in receiving this information. \*\***



## Remodeling: Green vs. Green

By Lew Sichelman, Realty Times

Planning to remodel your out-of-date kitchen? Thinking about a major bathroom overhaul? If so, you're probably thinking about all the green you're going to spend, as in greenbacks. But smart home owners also should be thinking about another shade of green, as in energy efficiency and sustainability. "With a few simple steps, home owners can turn a kitchen or bathroom renovation into a green renovation," says Mike Nagel, chairman of the National Association of Home Builders' Remodelers Council and a contractor from Chicago.

Here are some upgrades Nagel and his fellow remodelers say can significantly reduce utility bills while looking great for years to come.

Refrigerators, average life-span: 13 years -- Even though today's model's are more efficient that they used to be, the most efficient will save you only about \$6 to \$9 a year. But if your current refrigerator is more than a decade old, you can save more than \$100 a year by replacing it.

Dishwashers, average life span: 9 years -- Energy Star-rated models use 41 percent less energy than other dishwashers, saving up to \$90 over the product's life. However, when replacing older models, you can immediately reduce your energy bills by \$30 a year.

Microwave Ovens, average life span: 9 years -- Microwaves cook much faster than conventional ovens, but they also can use up to 80 percent less energy. While microwaves are not appropriate for all cooking, using them can save time and money.

Oven/Ranges, average life span: 13-15 years -- Gas burners use 55 percent of the energy produced compared to 65 percent for electric cooktops. Consider induction cooking, which uses 90 percent of all the energy that's produced. When choosing ovens, convection ovens can save up to 20 percent on energy use compared to non-convection models. Additionally, self-cleaning ovens tend to have more insulation, making them more efficient as well.

Kitchen Cabinets, average life span: 50 years -- Energy-efficient cabinets? Yes, if you consider recycled or reclaimed wood when replacing your cabinets. Particleboard offers another economically and environmentally friendly alternative, though it can be less durable than solid wood products.

Countertops, average life span: lifetime of home -- Counters come in all shapes and sizes, but recycled glass and concrete have a great modern look and give these old materials a second chapter. Many of these same products also work as tiles for your kitchen.

Flooring, average life span: 10 years to lifetime -- Carpeting only lasts up to 10 years and linoleum up to 25 years, while wood floors last a lifetime. Consider using renewable flooring like cork or bamboo. These flooring options offer easy maintenance with a long-lasting natural look for your kitchen.

In the bathroom, you can make some energy and water efficient upgrades simply by swapping out a shower head. Here are some thoughts on greening up your bath:

Water heater, average life span: 10-11 years -- Technically, this isn't normally part of a bathroom remodel. At least not unless you add a whirlpool tub. But heating water can account for around 15 percent of a home's energy bill, and much of your hot water is consumed in the bathroom. With an energy-efficient, tankless water heater, home owner can save \$40-\$100 a year.

Showerhead, average life span: lifetime of home -- A high-efficiency showerhead can save \$15 a year on your water bill.

Toilet, average life span: lifetime of home -- Though a typical toilet lasts practically forever, one of today's high efficiency models can save more than \$90 a year in water use.

Ventilation Fans, average life span: 10 years -- You can cut your electric bill by switching to energy-efficient exhaust fans. An Energy-Star-rated model can save \$120 over the product's life span.

Bathroom Faucets, average life span: 20 years -- A high-efficiency water faucet may save you only about \$3 a year. But that puts an additional \$60 in your pocket over the product's life.



### Elaine VonCannon

RE/MAX Capital

1166 Jamestown Road  
Williamsburg, Virginia 23185

(757) 564-1557 office

(757) 345-6666 fax

(757) 288-4685 direct



Be Sure To Visit My Websites: [www.voncannonrealestate.com](http://www.voncannonrealestate.com), [www.estatesinvirginia.com](http://www.estatesinvirginia.com)