

November/December 2009

Laura's Economic Update



Our office attended the 13th annual Economic Summit at George Mason University in late September. We heard that the economy is showing signs of improvement, but has a very deep hole to climb out of. Dr. Yun of the National Association of Realtors believes that we are on the cusp of a housing recovery. All of the speakers, with the exception of Dr. Stephen Fuller of George Mason's School of Public Policy, discussed real estate from a national point of view.

Dr. Fuller reported that there have been 9 consecutive months of job losses in our area, with retail & construction hit the hardest. Jobs in the Federal Government have had positive growth. Unemployment will get worse before it gets better, & typically lags a recovery. Expect news of unemployment to worsen even while the media & economists start pointing to signs of stabilization and recovery. Dr. Fuller predicts that

our real estate market and economy will be going 'gangbusters' by the middle of 2011.

Dr. Frank Nothaft, the Chief Economist of Freddie Mac predicts that we are near the bottom of home values, & he believes that sales will remain slow through 2010. He said that new housing starts (builder activity) peaked in 2005 & have now fallen to the lowest levels since 1945. Dr. Nothaft said that the formula for affordability is interest rates + house prices + family income. Interest rates are incredibly low and home prices have fallen, but family income is holding back housing recovery due to unemployment and financial fears.

Dr. Fratantoni of the Mortgage Bankers Association addressed the mounting difficulties of unemployment & the huge blow to household wealth. He does not expect pressure on prices or a run up in inflation in the next year or two. He views 2010 as a stabilization year & 2011 as a year of modest growth. The face of foreclosure is changing from that of poor credit buyers and bad underwriting decisions, to that of defaults on fixed rate products (*cont. on p.2*)

The Design Build Process... Building your Dream! *by Michelle Sagatov*

"Dream Home" ideas start at a very young age & continue to change until we own our first home. Whether a condo, townhouse or single family home, the list starts and keeps growing year after year. How nice it would be to actually make that dream become a reality, to build your "Dream Home"! The process seems daunting, but the end result is well worth it!

How to decide When you break the Design Build Process down into individual steps it becomes much easier and not so overwhelming. Who is a good candidate for the design build process? Anyone who is not happy with their current house, or growing out of their home and cannot find one they like; or who desires to design & build their dream home.

Important First Steps 1) Find a good Builder to work with and 2) Determine your budget. Ask for builder references if you have friends that have done work to their house or if you have been in a new house you really liked. You can also contact Fall Properties for a list of recommended local builders. Once you have recommendations, set up a meeting with them. Ask for a list of past clients you can contact. Ask if there are any current or past projects you can visit if you have not already seen their work. Be prepared to tell them what you want in your "Dream Home" – communication is key & you must feel comfortable talking with your builder. A skilled builder will be able to draw plans for your house. If you choose to go with an architect, make sure the architect understands your budget. Any skilled builder can build off architectural plans.

Next, figure out where you want to build your dream home. The cost of the lot needs to be included in your budget. If you are going to use your existing lot; problem solved. However, if you are looking at a certain neighborhood or city, you will need to work with a Realtor to find either an empty lot or "tear down" house. Include your builder to make sure the lot is big enough for the house you wish to build. (*continued on p. 2*)



Result of a Design/Build project by Sagatov Associates.

Economic Update (cont. from p. 1)
due to job losses. It is this wave of foreclosures we are starting to experience and that may grow due to unemployment and underemployment.

Dr. Fuller reminded us that the Greater DC job market is performing best of the 15 largest US job markets in terms of unemployment. We have experienced a month by month improvement in the number of real estate sales & inventory is down from its peak. With the first time homebuyer tax credit & the new existing homeowner tax credit, we should experience a renewal of buyer activity despite the normal late year/holiday slump in activity. For those sellers who have remained out of the market for fear their home would not sell, now is the time to seriously consider going on the market. Low interest rates, tax credits and a decent (local) job market make the Washington DC economy one of the best performing real estate markets in our country.

Design/Build Process (continued from p. 1)

Design Consultation and Proposal Once the location is set, the Design Consultation begins. The builder will review the site conditions, sketch out initial ideas, and develop a broad set of criteria for designing your "Dream Home". Following this meeting, and the feedback you have provided, the designer will develop a Design Proposal Agreement (DPA) to solidify the basic specifications, materials, budget, and goals of the project.

When you approve the DPA, often a retainer of between 2-5% of the budget is paid to the builder. It covers conceptual sketches, floor plans, elevations, 3-D views (if necessary), preliminary specifications, formal & informal communications, and detailed estimates. Once the design and budgeting process is completed, the final design and pricing are presented to you for final approval. If the final design meets your expectations, the next step is the Construction Agreement.

Construction and Selections Upon ratification of the Construction Agreement, the Design Retainer is usually credited to the Construction Agreement & the project is placed on a schedule. The designer will finalize the plans in order to obtain a building permit. You will also receive a preliminary schedule for the project & a list of selections that need to be finalized. The construction phase begins with a meeting between you, the designer, the project manager assigned to the project, & in most cases, the lead carpenter. At this point, the project manager handles weekly meetings with you to review schedules, selections, & the status of your project.

Before making selections, look through home and design magazines and pull out pictures of what you like. Take these pictures with you when you go to the various vendors. Have them try to replicate what you like in the picture or come up with design solutions to achieve the look you want while staying on budget.

Handing over of the Keys The last step of the process is the final walk through when they hand you the keys. At this meeting, any remaining items are assembled onto a punch-list for completion.

My knowledge for this article comes from being married to a builder, Yuri Sagatov with Sagatov Associates. I used to work for the company part-time and now I represent and market the new homes they build.

Building your Dream Home can take anywhere from 12-18 months. It may seem like a long process, but what's another 12 months when you consider how long you have been making the list for your "Dream Home"?

\$\$\$ • More tax credit(s) for homebuyers • \$\$\$

Congress has extended & expanded the homebuyer tax credit. First time buyers will continue to receive an \$8,000 tax credit for home purchases that close by June 30, 2010 (the contract to purchase must have been written by April 30, 2010). The income eligibility has been expanded: the tax credit is eligible to singles making \$125,000 or less & married couples making \$225,000 or less. For incomes exceeding these limits, a partial tax credit may be available. A first time homebuyer is defined as a buyer who has not had an interest in a principal residence in the last 3 years.

Even better news is the tax credit has been extended to existing homeowners – this group will enjoy a maximum \$6,500 tax credit. The purchase price of the house cannot exceed \$800,000. Existing homeowners must have owned & resided in their home consecutively for 5 out of the last 8 years. The income limitations and timing/deadline listed above also apply to the existing homeowner tax credit.

For greater information about these tax credits, please go to:

www.federalhousingtaxcredit.com/faq2.php#18

What does a \$8,000 or \$6,500 tax credit mean to you?

- One half to one third of your closing costs paid, or
- New appliances in your kitchen, or
- New carpet, floor refinishing and painting, or
- A rainy day fund for savings, education or home improvements.

This credit is a limited time credit, so don't delay in taking advantage of this opportunity!!

CLIENT SPOTLIGHTS!



A longtime friend & client, Loy Meade, is open for business as a Certified Personal Trainer. Loy has always managed her own physical strength and fitness, and after she retired 5 years ago she decided that training people in developing and maintaining their physical health was the path for her. Loy studied for her Certification with the National Academy of Sports Medicine and has been seeing clients privately since 2008. Loy trains clients at a 'state of the art' gym in her Vienna home and will also work with a client in his/her own home gym.

Loy has found that a one on one approach, in the privacy of a home gym, is optimal for people who wish to improve their strength and fitness but may not want to train in a large, public fitness center. She will custom design a work out program for her client based on their current physical health and their physical goals. Laura Fall hired Loy to help her recover from a broken ankle and to better face her 50th birthday! Feel free to contact Loy if you want to improve your physical strength and health – she will really make a difference for you!

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FEATURED HOMES



Click for pics & info at www.fallproperties.com

...& Coming in 2010



\$1,150,000

6009 N. 23rd Street, Arlington

New Construction by award winning Sagatov Associates - 4-5BR 3.5-4.5BA



\$574,000

109 King Henry Ct., Old Town Alex.

Unique 4 level 2BR 2.5BA townhome in heart of historic Old Town



Vienna - mid \$500's - Totally renovated 4BR 3BA Rambler Walk to Metro - awesome location



Falls Church/Arl/McLean - mid \$600's 5BR 3BA Rambler - Loads of great space - McLean schools



Falls Church - mid \$500's - Dream yard 3BR 2BA rambler - 1 level living



N. Arlington - mid \$600's - Walk to Metro 3BR 3BA Cape Cod - near bike trail



Falls Church - mid \$700's - 4BR 2.5BA Colonial in beautiful neighborhood near W&OD Trail - 2 car garage, Palladian windows!



Fall Properties – Helping Out with All the Details

Growing family? Too much stuff and not enough space? Do you feel like you are busting out at the seams? Needless to say, the challenge of transitioning from a smaller home to a larger home can contribute to many sleepless nights.

We have many clients that have been in this same situation or will find themselves in this situation at some point in their lives. It is a daunting task with many hurdles...often it can take months or years of planning and discussion to arrive at a decision to move. The exact opposite also happens when children grow up and move from the home, leaving parents with far more house than they need. So the reverse is true for couples desiring to downsize to a smaller house or condo.

Laura and Bruce are currently working with two families in the Fairlington area of Arlington who are going through the "move-up" process as a result of needs for their growing families. Using a consultative approach, Laura and Bruce first identify target neighborhoods and home requirements for the new home while simultaneously creating punch lists for getting their existing home in show condition. "There is a lot of braking and accelerating going on in the early stage", says Bruce, "as our clients try to figure out their needs and wants – as well as what they can financially afford."

Laura comments "our clients can't put their lives on hold while going through the buy/sell process – they have demanding schedules & look to us to guide them through the process. We get involved in many details that eclipse the role of a typical Real Estate agent. We help with setting up financing, coordinating cleaning/home staging, repairing, moving/packing, new home prep/remodeling in addition to managing timelines & negotiating the transaction process."

Making the decision to move is where it all begins and hiring Fall Properties to help guide the process is what we do best. Laura says "I've been doing this for most of my professional life – with some of my clients, I'm like extended family."

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Fall Properties

CURRENT MORTGAGE INTEREST RATES

| | |
|--------------------------|--------|
| Conforming 30 year fixed | 4.75% |
| Conforming plus fixed | 4.875% |
| Jumbo 30 year fixed | 5.375% |
| FHA 30 year fixed | 4.75% |
| FHA plus fixed | 4.75% |

(0 points on each of these loans)

- \$417,000 or less - conforming loan limit
- \$417K - \$729,750 - conforming plus
- Over \$729,750 - Jumbo loan - Interest rates fluctuate among lenders
- FHA loans have a standard and a plus feature which tops out at \$729,750
- VA loan - Available for members of the Armed Forces who meet eligibility requirements

Everyone - Come Celebrate With Us!

On Saturday, December 12, we are combining our 6th Annual Visit from Santa with activities that celebrate the other holidays of the season, and we're inviting all of you to join in this year. The Santa visit is great fun – a more intimate visit with the man in the red suit than you can get at the mall. And we'll have activities &



refreshments for everybody of all ages, with or without children. We'll be sending out evites, but if we don't have your email, consider this your personal invitation.

We will gather at the Overlee Community Clubhouse at 6020 Lee Highway in Arlington from 10AM–1PM.

Once again, we will serve as a drop off site for the US Marine Corps Reserve Toys for Tots program the entire month of December. Teach your children the true spirit of the season & bring an unwrapped gift for a child age 2

through 17. We hope to see all of you on the 12th.

