

# Real Estate Unleashed

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## 2012 Economy – Doom, Gloom, or Bloom

In 2012, which is an election year, the economy will continue to be in a weak recovery with GDP growth in the 2-2.5% range, unemployment still hovering around 9%, and interest rates a bit higher but still very low. Why does it seem as if we are stuck? Part of it is due to the action of Congress and the President, and with the election in November don't expect any great decisions from them. We also still have a housing decline, a lending environment that is not at full capacity, states and local governments that are still facing less revenue with increased needs for services, small businesses that are on hold and thus not hiring, and a consumer that is frustrated and not in the mood to spend. Add to that the global environment in which Europe is in chaos, Japan is rebuilding, the BRIC countries of Brazil, Russia, India and China are facing inflation and rapid growth, and the mess in the Middle East, is it any wonder the economies of the world are feeling stress and strains?

There is a new normal out there for us-- slower growth, more push from the global players, a housing market that because of foreclosures and short sales will take years to stabilize, and a consumer that is maxed out. We lived on the edge for a long time and now we have to pay the piper. We will work our way out of this "structural" recession, but the economy will be different as a result. We will still be the engine of the world and the dollar will still be the currency of choice, but we will face other strong players at the table testing us. So, we need to get our act together.

## Did You Know?

*What is a GRAT Trust?*

If you have publicly traded stocks or own a business, you might want to consider a grantor-retained annuity trust or GRAT. With a GRAT, you give an asset to a trust, but retain the right to annuitized payments for a set period of time. What you are really doing is hoping for future appreciation that you can pass down to your heirs tax-free. The time period can be as short as two years or longer. If the assets go down in value instead of up, the original owner can "reset" the GRAT by buying back the assets and then transferring them to a new GRAT.

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### *Governor's New Plan to Redirect Pensions for Government Workers*

- Requires new and current public employees to pay at least half of the annual cost of their pension benefits
- Replaces 1/3 of retirement benefits for new employees with a 401(k)- style plan
- Increases the retirement age for nonpublic safety employees from 55 to 67
- Requires pension benefits for new employees to be based on their last 3 years of pay to avoid “spiking”
- Mandates that all new public employees' retirement benefits be based on regular salaries so that overtime, vacation and other perks are not used for pension spiking
- Limits “double-dipping”- when retired employees collect a pension and continue to work – by limited post-retirement employment to 120 days per year
- Cuts off pension benefits for anyone convicted of committing a felony in the course of their public duties
- Prohibits retroactive pay increases for all current and future public employees
- Prohibits “pension holidays”- the practice of suspending retirement contributions during boom years
- Prohibits the purchase of “airtime”- when employees pay for additional retirement service credit for time they did not work

## Statistics

### *Bay Area Statistics October 2011*

Signs of market improvement faded in October as sales were down from September 2011 (when sales from September to October are typically flat). Sales were up from October 2010. High-end sales dropped, most likely due to changes to conforming loan limits. The median home price was the lowest since last February. Foreclosures and short sales accounted for about 45% of the market.

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## Statistics

### Existing Single-Family Home Sales (October 2011)

<b>County</b>	<b>Number Sold</b>	<b>Median Price</b>	<b>Percent Change (YOY)</b>
Alameda	1,308	\$340,000	-6.8%
Contra Costa	1,329	\$250,750	-3.6%
Marin	230	\$602,909	-4.3%
Merced	283	\$115,000	0.0%
Monterey	278	\$233,000	-10.38%
Napa	102	\$310,000	1.0%
Sacramento	1,969	\$155,000	-8.82%
San Francisco	448	\$635,000	-2.6%
San Joaquin	846	\$151,000	-8.48%
San Luis Obispo	278	\$327,500	-9.66%
San Mateo	566	\$525,000	-6.5%
Santa Barbara	284	\$255,000	-20.19%
Santa Clara	1,417	\$450,000	-10.4%
Santa Cruz	172	\$390,500	0.13%
Sonoma	490	\$283,500	-8.3%

## Dear Carole

**Q: Can you lower your property taxes?**

**A:** Possibly.

1. Check the deadline for filing a property assessment appeal in your city or county
2. Look up your home values at the assessment website or ask for your property record card
3. Check to make sure the assessor has accurately described your property
4. Get comparisons of other similar homes in your areas
5. If you think something is off, set up an in-person appointment at the office for an informal appeal
6. Bring photos, documents, comps, list of errors, recent sales prices, etc.
7. If the informal appeal fails, schedule a formal presentation before a local board
8. If that fails, you can appeal to a state level board

The key is pictures, documents, comps, tax breaks on other properties, etc.

***If you have a question for Carole, please email it to  
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