The Home Edition

City Comparison, Poquoson vs. Williamsburg

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Source: Sperling's BestPlaces, 2004

Williamsburg

Population:	11,693
Household Size:	2.07
House Purchase Cost:	$259,200
Unemployment Rate:	8.8%
Sales Tax:	4.50%
Income Tax:	5.75%
Graduation Rate:	89.6%
Doctors per Capita:	87.2
Altitude:	71
Rainfall:	44
Snowfall:	3.0

Poquoson

Population:	11,686
Household Size:	2.75
House Purchase Cost:	$187,600
Unemployment Rate:	2.6%
Sales Tax:	4.5%
Income Tax:	5.75%
Graduation Rate:	88.5%
Doctors per Capita:	119.6
Altitude:	10
Rainfall:	46.0
Snowfall:	3.0

Remodeling Jobs that Pay Off

First, a caveat: Think of your remodeling as a spending choice rather than an investment at the same level as your retirement savings. Return on that spending choice varies depending on how long after the remodeling your home is sold, how hot the market is, and other factors. Less expensive spruce-ups may offer a bigger return.

Top Spruce-Ups Under $3,000 For Return on Investment

1. Lighten and Brighten
2. Clean and de-clutter
3. Fix plumbing and electrical
4. Landscape and Trim
5. Staging
6. Minor Kitchen, bath upgrades
7. Repair flooring
8. Paint exterior walls
9. Replace carpet

Top Major Remodeling for Return on Investment

1. Adding a small bathroom within existing space
2. Minor kitchen remodeling
3. Major kitchen remodeling
4. Remodeling a bathroom
5. Finishing a basement
6. Remodeling or adding a master suite
7. Adding a family room
8. Adding a 2-story wing with family room, bed-room and bath
9. Adding a deck

source: Hampton Roads Magazine

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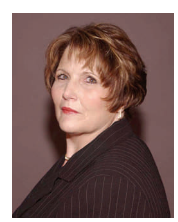

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No Boom, No Bust

The housing market hinges on *jobs, oil prices* and *interest rates* in 2005

From Commonwealth Magazine

While economists predict slower growth in the housing market this year, overall strength in the market continues from house-hungry baby boomers, Gen Xers and immigrants.

Several real estate economists were asked recently to consider the factors that will shape the housing market in 2005. What was number one? Jobs. You need to watch employment figures if you are concerned about the housing market. As economist Dr. Fred Flick aptly points our, If you don't have a job, you can't buy a house. While housing is expected to take a breather from its fast pace over the last few years, the outlook remains good due to favorable demographics and mortgage rates well below the mid teens of the 1980's.

What could be the single biggest factor that could stall housing in 2005?

John Tuccillo, Ph.D.: I think the most important factor in the short run for someone to look at in his or her market are how jobs are being created in that market. Employment and housing are joined at the hip. Ignore job numbers at your own risk.

Michael S. Miller, Ph.D.: If oil prices remain high, that acts like a tax on the American people and reduces their income for other things. Higher oil prices means there are higher transportation costs that will work their way through the economy, although the U.S. economy is much more resistant to energy price increases than it was in the past. You could see the housing sector held hostage by another sector such as energy.

Fred Flick, Ph. D.: Job growth. It has not been what it needs to be to sustain the economy for the long run. If it doesn't start to improve, it can affect housing demand. Without a job, people can't buy houses, or anything.

"With slow job growth and a weak economy, we can expect a slight decline in housing activity"

What other factors could affect housing in the year ahead?

Tuccillo: On the upside, we have extraordinarily strong demand from baby boomers, Gen Xers and immigrants. These major demographic groups are very strong in the housing market and I think they will have a continuing stress on the supply of housing. The biggest problem facing the market is inventory and that's been there for a while. With slow job growth and a weak economy, we can expect a slight decline in housing activity, 5 to 7 percent over the course of 2005.

Miller It will be a positive thing if job growth picks up and comes into line with what economists have expected all along. The important thing now is that people feel secure in their jobs and feel that new jobs are available. If you know your job is going to be there and there are new jobs to be had, you would feel better about buying a home. If we can get jobs running at a creation rate near potential-say 200,000 or 225,000 jobs created a month-that would bode well for housing. Another possibility is if the economy would boom for some crazy reason and the Fed unexpectedly raised interest rates. Expectedly higher, that's not too bad because we know the fed is fighting inflation, and mortgage rates and long-term rates remain stable. These kinds of transparent policies do not have a negative effect of the economy; that they keep the economy under control. That would change if the Fed all of a sudden became aggressive.

Flick: With job growth slow next year, unit sales aren't going to increase much so there's a chance that the market could be pretty flat next year. We have a lot of people still buying, aging boomers are trading houses, there's a big resale market, maybe from 0 to 3 percent, but that is

About as good as you can do. You've had five years of successive records and interest ratees are shifting up. It's time for the industry to come back. Rising price trends over this period is exhausting all the people who can afford to buy. Now they're thinking "We'll negotiate a better deal when prices drop.

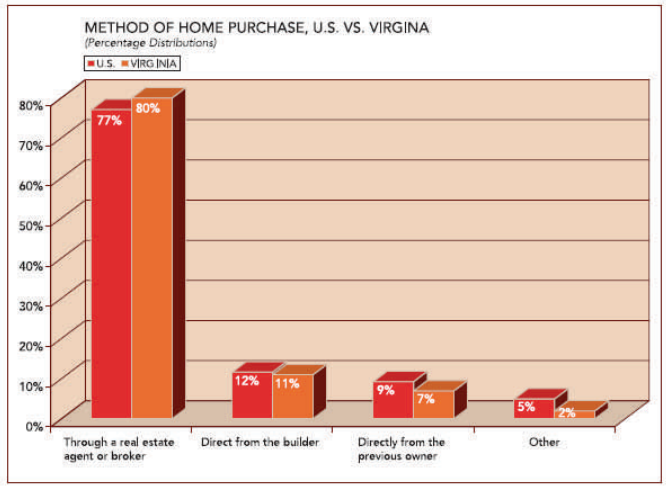
What's your prediction on mortgage interest rates?

Tuccillo: I think we will see continued slow growth in the economy through the end of 2005. The growth rate will be 2 to 3 percent. I see slow employment growth and higher interest rates up about a point 7 or 7.25 percent by the end of the year. I think we'll see higher inflation, higher than we have seen.

Flick: The most promising sign with the slow job growth and tentative recovery of the economy, is that interest rates are probably not going to go up that much or as much as economists thought back in the spring of 2004. Fed Chairman Alan Greenspan has had some impact on longer term rates and he has to consider how much further he wants to push them. We will probably see 30-year money go up a little bit, around 6 to 6.25 percent, but I don't think they will hit 7 by the end of the year. Inflation is still relatively low and the economy is still weak, so they're not going to go up more rapidly.

What's your take on the housing bubble rumors?

Tuccillo: I think prices are going to moderate, but I don't believe there is a bubble. I think there are some locally stressed conditions. Housing as a whole does not bubble like stocks do. Six percent of the housing stock turns over in a good year, which is far lower than the percentage of



shares outstanding. You can live in a house; you can't live in a stock certificate.

Miller: I've been reading about it for two years and the story hasn't changed. The story is when you look at the economy as a whole—jobs, unemployment, housing—there is not a price bubble currently across the country. In individual markets or neighborhoods within markets you will find prices that seem out of whack. For the housing market as a whole, there is no bubble. Fed chairman Alan Greenspan has said that the amount of equity that people have in their homes, even if prices come down, there is room within the equity of the loan and they would not become "upside down" where the mortgage is worth more than the house. Even if prices soften, it would not put American households into chaos because of the equity in the homes themselves.

Flick: I think there are some markets that probably are a little too hot around the country, especially the coastal markets. The coasts have not been through the manufacturing slowdown that the Midwest has experienced. They are also higher-income and still primarily service-oriented areas, so that's where we've seen the most rapid run-up in prices. We will see some slowing in price appreciation, with a slow-growth economy, energy inflation and the oil problem.

BOTTOM LINE FOR 2005

1. What will stall housing? Slow job growth, higher mortgage rates and oil prices
2. What will help housing? Strong demand from baby boomers, Gen Xers and immigrants
3. Housing bubble? There is no bubble
4. Price appreciation? Up three to five percent
5. Sales activity? Easing due to the economy, jobs, and supply constraints
6. Mortgage rates? Some say 6 to 6.25 over the course of the year, others 7 to 7.25
7. Global effects? China's economic growth will increase the costs of commodities such as concrete, which will affect the cost of housing

Michael S. Miller, Ph.D., is chairman and associate professor of the Department of Economics at DePaul University in Chicago. Dr. Miller earned a bachelor's degree in Economics from Slippery Rock State College, a master's and doctorate in Economics from the University of Pittsburgh.

John Tuccillo, Ph.D., owner of JTA, LLC, is one of the foremost real estate economists in the United States. He was educated at Georgetown University and Cornell University and holds a doctorate in Economics. From 1987 to 1997 he was chief economist for the National Association of REALTORS®.

Fred Flick, Ph.D., is a real estate economic analyst and published author on the economy and real estate markets. Before starting his own company, he served for 19 years as vice president for economic research at the National Association of REALTORS®.

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*** Charts from the National Association of REALTORS® 2004 Virginia Profile of Home Buyers and Sellers*

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"I am still determined to be cheerful and happy, in whatever situation I may be; for I have also learned from experience that the greater part of our happiness or misery depends upon our dispositions, and not upon our circumstances."

--Martha Washington

From Elaine's Desk….

Q: Dear Elaine,
I am getting ready to retire. I would like to relocate to James City County. Should I take all of the equity that I am getting from the sale of my new home and use it to buy our new home in James City?
-George
Hampton, Virginia

A: Dear George,
I will let my loan officer, Rebecca Nichols of Breakwater Mortgage answer this question.

Elaine

Having a house payment can be inconvenient, but a mortgage of any kind is a good tax shelter as the interest on the mortgage is a tax deduction. It depends on if you need this tax write off or if you don't. There are a lot of new programs out there, such as adjustable rates and interest only. Fixed mortgages are becoming a thing of the past. Feel free to call me so we can go over your unique situation.

Rebecca Nichols 757-523-2204

Each issue (every two months) Elaine will answer your questions on real estate related topics. If Elaine chooses your question to appear in *The Home Edition,* you will receive a $50 gift certificate to the restaurant of your choice. Please send questions to either:

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or

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From Nana's Kitchen:

Crab Stuffed Mushrooms

- 1 pound fresh mushrooms
- 7 to 8 ounces crabmeat (canned or fresh picked) NOT IMITATION!
- 4 green onions, thinly sliced
- 1/4 teaspoon dried thyme
- 1/4 teaspoon dried oregano
- 1/4 teaspoon ground savory
- ground black pepper to taste
- 1/4 cup grated Parmesan cheese
- 1/3 cup no-sugar mayonnaise
- 3 tablespoons grated Parmesan cheese
- 1/4 teaspoon paprika

Preheat the oven to 350°F.
In a medium bowl, combine crabmeat (rinse if using canned), green onions, herbs, and pepper. Mix in mayonnaise and 1/4 cup Parmesan cheese until well combined. Refrigerate filling until ready for use.

Wipe the mushrooms clean with a damp towel. Remove stems. Spoon out the gills and the base of the stem, making deep cups. Discard gills and stems. Fill the mushroom caps with rounded teaspoonfuls of filling, and place them in an ungreased shallow baking dish. Sprinkle tops with Parmesan and paprika.

Bake for 15 minutes. Remove from oven, and serve immediately.

Serves 6. Approx 5 net grams of carbohydrate per serving

Recipe taken from

Low Carb Luxury

www.lowcarbluxury.com