



MARCH 2006

Volume 18, Issue 2

KRUEGER REALTY NEWS

*Insider News and Views about Real Estate in Hidden Meadows.
To our customers and all the residents of the country town of Hidden Meadows.*

What's New In and Around Hidden Meadows

The Real Estate Market – Up, Down or Sideways?

The one thing that is certain is everyone who owns a home, an investment property or is in some way connected to the real estate industry has an opinion. There are constant newspaper articles, television, commentary, radio commentary and Wall Street commentary not to mention political commentary on the subject (lack of affordability). The rhetoric runs the full spectrum of the above headline. There is the “sky’s the limit faction”, there is the “sky is falling” advocates and there are the “let the market take a breather” group.

To try and put some perspective on things I want to share with you some of the market information that is compiled by DataQuick, a source for national, statewide and regional information and the North San Diego County Association of Realtors® from a study that tracks sales statistics from their HomDex™ report for North San Diego County. First we will take a macro view looking at the Southern California region then take a more micro view by looking at activity in North San Diego County and finally conclude with our own piece of paradise here in Hidden Meadows.

A total of 20,085 new and resale homes were sold in Los Angeles, Riverside, San Diego, Ventura, San Bernardino and Orange counties last month. That was down 30.6 percent from 28,952 in December, and down 7.4 percent from 21,680 for January last year, according to DataQuick Information Systems.



A decline from December to January is normal for the season. Last month’s sales count was the lowest for any January since 2001 when 18,010 homes were sold. The strongest January in DataQuick’s statistics was in 1989 when 23,379 homes were sold, the weakest was in 1992 when 10,994 homes were sold.

“Trends in January and February are notoriously bad at predicting upcoming activity. Is the market taking a breather? Or is it starting to tumble? It’s impossible to say, there’s nothing really ominous in the numbers, but we won’t know for another couple of months,” said Marshall Prentice, DataQuick president.

The median price paid for a Southern California home was \$469,000 last month, down 2.1 percent from November and December’s record high of \$479,000. Last month’s median was up 13.0 percent from \$415,000 for January 2005. The median always drops from December to January because of changes in market mix, January is always a weak month for new home sales.

I would characterize the regional outlook from DataQuick as a cautious “sideways” –let the market take a breather.

Now looking at things a little closer to home. The January 2006 median price for all homes in North San Diego County – single-family detached and single-family attached – was \$553,000, down slightly from \$555,000 in December 2005. The median-priced single-family detached (SFD) home in North San Diego County was \$625,000 in January 2006, a 2.5 percent increase from the \$610,000 December 2005 median price. The January 2006 North San Diego County median SFD price was 5.9 percent higher than in January 2005 when the median SFD home price was \$590,000.

North San Diego County SFD’s reported a median 56 days on market during January 2006, compared to a median 55 days in December 2005. North County SFD homes were on the market an average 69 days in January 2006,



compared to 66 in December 2005. There was a 26 percent decline in sold SFD units in January 2006 — 533 SFD listings sold in January 2006 compared to 721 SFD in December 2005.

The most recent numbers for North San Diego County indicate a leveling off of prices and possibly a slight pull back. Days on market are on the rise, which is indicative of a market that has a building inventory. I think it is fair to say that from a more localized view the “sky is still intact” perhaps a little hazy but no falling parts.

So the foregoing is all well and good for a macro and micro view but how about our mini micro area of Hidden Meadows. This time last year we had about 20 active listings in our neighborhood. I include Rimrock when I am counting. As I write this, the last day of February, we have 50 active listings. The average days on the market for our current inventory is 68 days. This number is somewhat understated for the following reason. When a listing expires and is re-listed the days on market for that property start over. In the active listings of properties there are several that have expired and been subsequently re-listed two, three or more times. If you take that into consideration the true days on market is much higher than the 68 days would suggest. The price distribution might be of some interest. 17 homes are priced in the \$1,000,000 up category. There are 33 homes priced from \$700,000 to under a \$1,000,000. The balance of 16 homes range from \$549,900 to \$699,000. Another point of interest is where the 50 homes are located in our neighborhood. The Greystone development has 8 homes listed; Rimrock has 5 leaving 37 for pre-Greystone Hidden Meadows. Of the 50 homes that are active 17 have had at least one price reduction.

Since our market is so small I used a larger time frame for sales activity. Activity from November 2005, which just catches the last of the Summer/Fall activity though, the end of February 2006 was considered. There were 13 homes sold, none of which were in Rimrock. The average days on market for the group was 69. For the same period one year earlier there were 25 homes sold with an average market time of 69 days. This is nearly a 50% reduction in the number sold for the period. The

sample is too small to draw any meaningful median price changes from one year to the next.

Considering this activity the same can be said of our micro mini market in Hidden Meadows. Prices have moderated and are leveling off. The days to achieve a sale are taking longer and there is more competition between Sellers due to the increased inventory. There is “no falling sky” but it is a more challenging time for Sellers today than it was a year ago in Hidden Meadows.

Krueger Realty is your best choice for a complimentary market analysis of your home whether you are thinking of selling or just want to know what your home's value is. As you can see, we watch the Hidden Meadows market very closely. When choosing a Real Estate Company to market your home or property I would consider the advice that the Grail Knight gave Indiana Jones, “choose wisely”.

Can your Uncle help with the move?

I'm not talking about your Uncle with the pick-up truck, but rather the biggest Uncle of all, Uncle Sam. People move into and from Hidden Meadows for many reasons. There is one that could qualify you

for some economic help. Although not every household move is tax-deductible, if you change your work location within 12 months before or after the move, your expenses could qualify for Uncle Sam's generous moving expense deductions. Both renters and homeowners are eligible for this tax break. Whether you itemize personal tax deductions, or claim the standard tax deduction, you can still deduct qualified moving costs



on line 26 of your IRS Form 1040. IRS Form 3903 must be used to list your deductible moving expenses. But there are two eligibility tests that must be passed.

THE VITAL JOB RELOCATION TEST:

The first and most important moving expense-deduction rule is the job relocation test. To qualify, your new job location must be at least 50 miles further away from your old residence than was your old work site. It doesn't matter if you changed employers, stayed with the same employer, became self-employed, or took your first job. To illustrate, suppose your old home was six miles from your old job location. To qualify from the moving expense tax break, your new job site must be at least 50 miles further away from your old home. In this example, that's six miles plus 50 miles, or 56 miles. Either spouse can qualify. Congratulations if you met this first test; now you have to meet a more difficult test.

THE WORK TIME TEST: The second moving-cost eligibility test involves the length of your work time in the vicinity of your new job location. It doesn't matter if you change jobs, location, or employer, but to qualify you must stay in the vicinity and work full-time at least 39 weeks during the 52 weeks after your household move. Part-time work doesn't count. But either spouse can qualify. However, time spent searching for employment is irrelevant.

If you are self-employed, the test is tougher. Self-employed must work at least 78 weeks full-time in the vicinity of their new job location during the 104 weeks after the residence move. This tough rule prevents self-employed individuals from deducting moving expenses if they only work a few hours each week. However, the work time test is waived for disability, job layoffs, and the taxpayer's death.



NO NEED TO MEET THE WORK

TIME TEST BY APRIL 15, 2006. As long as you meet the 50-mile additional job distance test, if you have not yet met the 39-week or 78-week work time test by April 15, 2006, when your 2005 income tax returns are due, you can still claim the deduction if you plan to continue working in the same vicinity. However, if you later don't meet the 39-week or 78-week work time test, then you must amend your 2005 income tax return to delete your moving cost deduction and pay the extra income tax.

Another alternative, which most tax advisers don't recommend, is avoid the deduction when filing your original tax returns but later amend your return to claim a tax refund when you meet the work time test. The prime reason this choice is not recommended is that you might forget to later claim the large moving cost deduction.

DIRECT MOVING COST

DEDUCTIONS ARE UNLIMITED. If you passed the two eligibility tests above, there is no limit to your direct moving cost deductions. Examples of deductible household moving costs include: expenses for hiring a moving van, shipping your pets, in-transit storage costs up to 30 days, moving insurance, and even costs of transporting your "personal effects" such as your horse, yacht, and recreational vehicle. If you drive from your old to your new home, you can deduct actual out-of-pocket costs, such as gasoline and oil, but not auto repairs and depreciation. Or, you can elect to deduct 15 cents per mile for 2005 household moves until Aug. 30, 2005, and 22 cents per mile for moves until the end of 2005. In addition, you can deduct parking and tolls.

NO DEDUCTIONS FOR INDIRECT

MOVING COSTS. Non-deductible expenses involving your household location change include pre-move inspection trip fares, meals and lodging enroute, and real estate sales or lease commissions.

If your employer reimbursed you for indirect moving expenses, such as a loss on the sale of your home, that reimbursement is taxable income to you. For this reason, it is usually best to ask your employer to pay any indirect moving costs directly rather than reimbursing you and raising your taxable income for the non-deductible indirect moving cost.

HOW EMPLOYER REIMBURSEMENTS AFFECT MOVING COST TAX DEDUCTIONS.

When your employer reimburses you for your direct moving costs for which you have receipts, you have no additional taxable income because the reimbursement is offset by the deductible moving costs. However, if your employer gave you a flat moving cost allowance, regardless of your actual moving expenses, the excess allowance exceeding your deductible direct moving costs becomes taxable income. Thus, employer reimbursement for non-deductible indirect moving costs becomes taxable income. For full details, please consult your tax adviser.

Million dollar homes

Since there are 17 homes in our neighborhood that touch the Million dollar asking price I thought I would share some comments from CNN Money on the subject of higher dollar homes.

Home sales are slowing but the biggest and the most luxurious are still leading the charge.



Americans are buying homes that are bigger and contain more luxury features than ever. By

some accounts, the million-dollar-plus home is now the strongest segment of many housing markets. Pamela Liebman, CEO of The Corcoran Group, a leading real estate brokerage in New York City, Long Island, New York and Florida, says, "A lot of money is going into high-end housing. Buyers just don't want to compromise their desires."

A lot of those desires have filtered down from the luxury home market to more mundane residences. That has contributed to a jump in single-family home prices of more than 13 percent this past year. The median U.S. home now costs about \$214,000, according to the National Association of Realtors.

Leading the pack

The largest areas of million dollar homes cluster in and around big coastal cities and posh beach and mountain resort communities. Among states, California had the highest percentage of million-dollar homes the last time the Census Bureau reported; 4.1 percent of all Golden State homes were worth a million or more at the end of 2003. That was almost double the percentage of four years earlier. As housing continued to boom throughout 2004 and much of 2005, the number of million dollar homes in California has, undoubtedly, climbed considerably.

Other centers of high million dollar home ratios as of December 31, 2003 include Connecticut (3.3 percent), the District of Columbia (3.2 percent), and Massachusetts (2.2 percent).

Low million-dollar home areas were concentrated in the prairie states and the South. North Dakota had the lowest incidence, less than 0.01 percent, followed by Iowa (0.04 percent), and Arkansas (0.08 percent). What buyers get for a million dollars varies greatly. In expensive Santa Monica, it might only buy a two bedroom teardown on a vest-pocket lot. In much more reasonable Dallas,



on the other hand, it could buy a 5,000 square foot mini-estate with six bedrooms, five baths, in-ground pool and spa.

Home improvement

Americans practically everywhere continue to make their homes bigger and better. Harvard's Joint Center for Housing Studies reported in January that we spent nearly \$150 billion, a new record, on home improvement in 2005. That was up 4.3 percent from 2004. Low mortgage rates fueled the home renovation mania, according to the Joint Center report. Many homeowners refinanced their loan when mortgage rates cratered and some owners took out extra cash to pay for home improvements. Mortgage rates have been on a slow upward trajectory lately however, which could lead to fewer cash outs and home renovations, as well as a dampening effect on home prices. It would seem that the factors that have led to a big increase in the number of million-dollar homes will be lessening. That trend may have already begun; median home prices in the second half of 2005 grew much more slowly than the first half. The forecast for 2006 home prices from the National Association of Realtors calls for much more modest increases, more in the mid-single-digit range. Even that will be enough to send some properties over the edge into million-dollar status.

Five tips for selling in a shifting market

Some ideas from an article by Holden Lewis of Bankrate.

Prepare yourself mentally

Accept that the market will set the sale terms. Don't take it personally if you don't get the price you expected. "The big thing is you've got to accept what the market is, and make the most of it," says Jeff Lyons, general manager of RealEstate.com. "It doesn't have anything to do with you personally; it has to do with the market." He advises sellers not to expect an extension of the supersonic price appreciation that some markets saw in the

last couple of years. As Lyons puts it, you're just going to feel frustrated if you think, "last year, everyone's house was worth 20 percent more than the year before, so why isn't my house worth 20 percent more this year?" Lyons adds: "You're going to want to prepare to be flexible." Luckily, you can be flexible on things besides price. The move-in date, for example. "If it helps you sell more quickly by moving out earlier than you want, that's a good thing," Lyons says. "You never know what people might want to do to make it convenient for them. If the buyer wants something that isn't hard for you to give, that's something in your favor." Maybe the buyer wants to store furniture in your garage before moving in or wants to make the purchase contingent on selling his or her own house. If you have flexibility, you have an edge.

Get ready for picky buyers

Every real estate agent will tell you to improve the home's curb appeal. It's even more important when buyers feel that they can afford to be picky. In a transition from a seller's to a buyer's market, buyers "become much more sensitive to things like dated light fixtures". "When you walk in and the house has that 1970s amber light fixture, they'll say, 'This house looks old,' and walk out. It's easy and inexpensive to replace that light over the dining room table." It's not only about lights. Stained carpets, scuffed hardwood floors, dripping sinks, torn window screens — most of us live with flaws in our homes that we intend to fix eventually. When you put your home on the market, that day has arrived. "You really need to look at making repairs that are profitable in terms of selling the house, choose your priorities". If your hot tub isn't quite functioning properly and the bathroom has old, stained cabinets with ornate pulls on the doors, fix up the bathroom first. "They want to see that pedestal sink," If the choice

is between replacing the refrigerator and refacing ugly kitchen cabinets, spruce up the cabinets.

Educate yourself about your neighborhood's real estate market

Perch yourself on the real estate grapevine by talking to experienced real estate agents about sales in your neighborhood. Krueger Realty is your best source for getting in the know.

Do homes tend to sell for 2 percent over the listing price, or 5 percent under, or what? Was a house recently sold for a surprisingly low price? Maybe the owners sold it to their own kids, a young family without much money. That's a good piece of knowledge to have when a buyer tries to use that low sale price against you in negotiations. Krueger Realty can look at comparable homes that have been sold recently and at homes that are for sale now, and recommend a listing price and marketing plan. You don't necessarily want to pick the agent who recommends the highest listing price. It may not be realistic. You're making a hiring decision, which is an art and a science.

Hire an inspector

Buyers often almost always make the purchase offer contingent on the home passing an inspection to their satisfaction. Increasing numbers of sellers are hiring inspectors before they put their houses on the market. An inspector is impartial. "He'll be able to tell you if the roof needs work, or small electrical things that need to be done, or plumbing items". Once you have identified and fixed the problems, "it makes the house that much more attractive to a would-be buyer." An inspector might spot flaws that would be obvious to a buyer, but that you no longer



notice. A good real estate agent does the same, but an inspector will look deeper.

Consider paying the buyer's discount points

Paying points is an incentive you can offer to a buyer, and Uncle Sam sweetens the deal.

Let's say the buyer wants you to drop the price by 3 percent. You're firm on the price but are willing to be flexible by working mojo with the buyer's interest rate and tax bill.

You offer to pay 3 discount points and lower the buyer's mortgage rate three-quarters of a percentage point, give or take a quarter-point. By paying the discount points instead of selling for less, you get your price, the buyer makes lower monthly payments and gets to deduct the points from income taxes. That's right. You pay the discount points, but the buyer gets the tax deduction. It's a win-win deal," says Bob Walters, economist for Quicken Loans.

The time may not be right for offering discount points just yet. If it becomes a pronounced buyer's market, or when mortgage rates rise a couple of percentage points, that will be prime time for sellers to pay discount points. Whether or not you pay the buyer's discount points, you put yourself in the right frame of mind by merely considering the option. It makes you think like a buyer — and that along with Krueger Realty gives you a competitive edge.

Regulatory Humor

Many residents in Hidden Meadows have had the opportunity to deal with some of our County regulatory agencies. If you have ever done a remodel you most likely had to get a building permit. Or perhaps you owned a piece of land and wanted to start the building process you might have

dealt with the Department of Health to obtain a septic permit, or one of the wildlife agencies to make sure you are not



displacing any endangered species. Then there might be brush to clear, or maybe the slopes are too steep for a driveway, need to check with the Fire District on those rules. As you are beginning to see in the course of just about any activity one considers under taking you will sooner or later deal with a government entity, and so our story begins.

In the year 2006, the Lord came unto Noah, who was now living in San Diego, and said, "Once again, the earth has become wicked and over-populated, and I see the end of all flesh before me. Build another Ark and save 2 of every living thing along with a few good humans." He gave Noah the blueprints, saying, "You have 6 months to build the Ark before I will start the unending rain for 40 days and 40 nights."

Six months later, the Lord looked down and saw Noah weeping in his yard - but no Ark. "Noah!" He roared, "I'm about to start the rain! Where is the Ark?"

"Forgive me, Lord," begged Noah, "but things have changed. I needed a building permit. I've been arguing with the inspector about the need for a fire sprinkler system. My neighbors claim that I've violated the neighborhood zoning laws by building the Ark in my yard and exceeding the height limitations. We had to go to the Development Appeal Board for a decision.

Then the Department of Transportation demanded a bond be posted for the future costs of moving power lines and other overhead obstructions, to clear the passage for the Ark's move to the sea. I told them that the sea would be coming to us, but they would hear nothing of it.

Getting the wood was another problem. There's a ban on cutting local trees in order to save the spotted owl. I tried to convince the environmentalists that I needed the wood to save the owls - but no go!

When I started gathering the animals, an animal rights group sued me. They insisted that I was confining wild animals against their will. They argued the accommodation was too restrictive, and it was cruel and inhumane to put so many animals in a confined space.

Then the EPA ruled that I couldn't build the Ark until they'd conducted an environmental impact study on your proposed flood.

I'm still trying to resolve a complaint with the Human Rights Commission on how many minorities I'm supposed to hire for my building crew. Immigration and Naturalization is checking the green-card status of most of the people who want to work. The trades unions say I can't use my sons. They insist I have to hire only Union workers with Ark-building experience. To make matters worse, the IRS seized all my assets, claiming I'm trying to leave the country illegally with endangered species.

So, forgive me, Lord, but it will take at least 10 years for me to finish this Ark."

Suddenly the skies cleared, the sun began to shine, and a rainbow stretched across the sky. Noah looked up in wonder and asked, "You mean you're not going to destroy the world?"

"No," said the Lord. "The government regulators beat me to it."

Noah is not alone

Truth is stranger than fiction. The preceding account about Noah's plight can be underscored by the following information I received from the Escondido Chamber of Commerce.

The Chamber is forwarding the following message that we recently received from our Chamber member, the San Diego Zoo and the San Diego Wild Animal Park, for your information:



Statement regarding the proposed elephant bill.

Animal rights groups have proposed legislation for California that they state is meant to close zoo elephant exhibits. In press releases sent out to media this morning they claim that the San Diego Zoo and the San Diego Wild Animal Park will be seriously impacted.



Although most of the proposed changes would not affect operations at our parks, the Zoological Society of San Diego believes that animal care decisions should not be subject to political pressures but through accreditation standards set by experienced animal care professionals. Additionally, the Zoological Society is concerned that some of these proposals will affect the ability of animal care staff to provide for elephants that are sick, elderly or very young.

As part of the publicity surrounding this proposed legislation, animal rights groups are making inaccurate statements about the amount of space available to elephants at the San Diego Zoo and the San Diego Wild Animal Park and the methods that are used to handle them. Although we will be working with local media outlets to provide accurate information about these programs we recognize that many of you will be asked questions about this by guests, members and friends. Please help us communicate that the Zoological Society of San Diego meets and exceeds AZA space and care requirements for elephants and that they are managed through a protected contact system of positive reinforcement.

KRUEGER REALTY

27739 Mountain Meadow Rd. #1
Hidden Meadows CA 92026

Jim Larsh:

Jim@KruegerRealty.Com

(760) 749-3999 or 800-606-3999

Fax (760) 749-8359

Roger Morton:

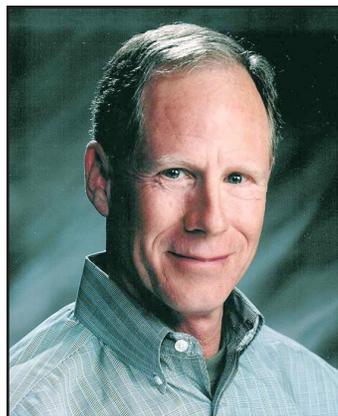
Roger@KruegerRealty.Com

(760) 749-3999 or (888) 357-2341

Internet: www.KruegerRealty.Com

**Put our many years of local real estate knowledge,
training and experience to work for you.**

*If your property is listed with another Realtor, this
Newsletter should not be considered as a solicitation.*



Jim Larsh
760-749-3999



Roger Morton
888-357-2341

