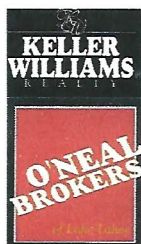


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California



Nevada

Michael Willette's **Inside Track** Newsletter

"Integrity Works"



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Dear Michael,

We were queued up in this edition to discuss the new developments surrounding the Regional Plan Update, an innocuous sounding document that promises to allow - or frustrate - the revival of a Lake Tahoe economy desperately in need of a renaissance; or will it perpetuate another era of the development-versus-obstructionist paralysis ? With a crucial vote coming up later this month, let's hold this discussion until the next issue.

Instead we will change tracks in this Inside Track and focus on the current state of the real estate market.

Our goal in the Inside Track is to bring you readable and useful information that can help you make decisions about your Lake Tahoe investment ... or your plans to make one.

Michael Willette

BARRONS October 2012

"Unimpeachable signs the nightmare that wiped out \$7 trillion dollars in household wealth is over".

BARRON's the nations most analytical and insightful investment publication regarding real estate introduced the prospects of a housing recovery in its March 19th cover story "Ready to Rebound".

Now a recent follow-up cover story pronounces "Home Prices Headed Up 7%" ... and they quantify that prediction.

Let's bullet-point that evidence ... and their conclusions:

- **CoreLogic's Home Price Index (published thru August) shows a increase of 3.8% in July and 4.6% in August over last year's performance ... it has been six years since we have had those kind of year-over-year gains**
- **Existing home sales in July 2012 tallied 4.47 million ... up from 4.05 million in July of 2011**
- **By the end of last August home prices, according to the Federal Housing Finance Agency, had increased for the seventh consecutive month: a string we have not seen since ... 2006**

BARRON's Conclusions:

"We probably won't see a V-shaped recovery, but this rally has legs and prices will be higher next year".

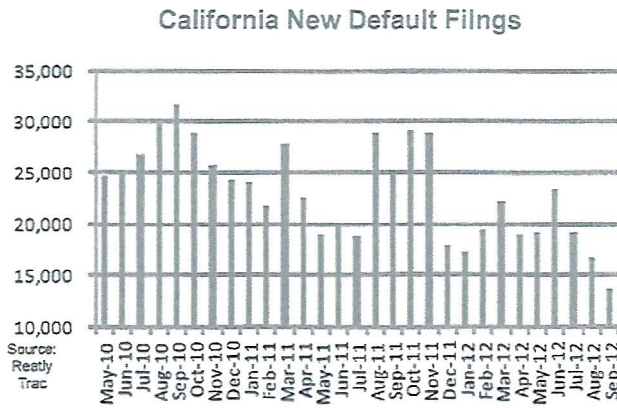
"Although we expect slowing of price gains for the rest of 2012, we are clearly seeing the light at the end of a very long tunnel".

MONEY Magazine chimes in with its own prediction:

"It may take a year or two before prices begin to move perceptibly but between now and 2017 we expect gains of 3.3% annually".

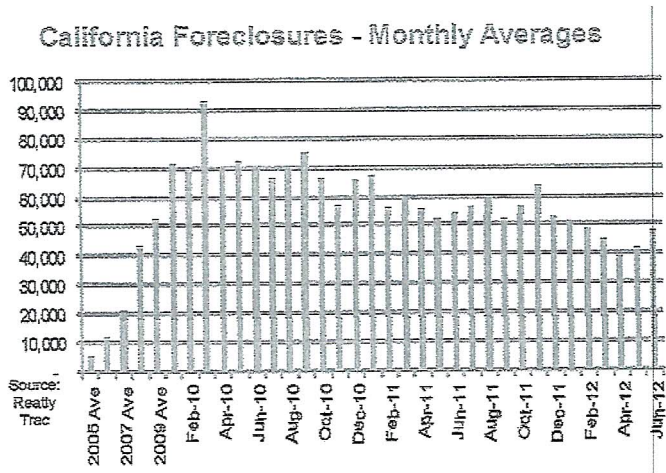
California Default Filings

We have been watching the statistics on default filings for three years; and we are now seeing a definitive trend. Remember that default filings typically include short sales, which is where the bulk of the distressed properties show up and get sold.



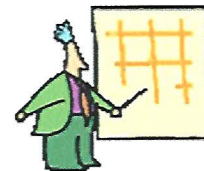
California Foreclosure Filings

After some uncertainty in 2011, we are now seeing a clear depletion of foreclosure inventory. It is our opinion that only when distress is sold out of the market can prices begin to recover. This does not mean that there not a contrarian viewpoints about the future of the market see below



There are contrarian considerations that we are all watching:

- The Fed's Ben Bernanke has lifted housing by buying bonds to keep interest rates low. How much longer can he keep this up ? Rising interest rates will stifle affordability and price gains
- Will the juiciest tax reform target - the home mortgage deduction - survive budget reform ? That loss would be major wet blanket on a real estate recovery
- The jury is still out on the size of the inventory of foreclosed homes - the 'shadow inventory' - that banks are holding so as not to flood their own market
- Home builders are returning new construction to the market in response to demand in many of the currently high-flying markets, which in turn will add inventory to compete with older listings and stabilizing their price gains



Let see where we are in Lake Tahoe

(Statistics are single family home sales from Kings Beach to Rubicon)

YEAR	SALES	MED PRICE (all sales)	REO	SHORT SALES (w/ median price)	
2012 (12/1)	323	422,000	55	40	\$320,000
2011	259	457,500	44	34	\$397,000
2010	291	445,750	48	30	\$380,000

The data for the Lake Tahoe market appears not to square with the optimistic data we just laid out. We are looking at price erosion in both median sales prices during 2012 ... and in the unprecedented new price 'floor' in homes sold as short sale.

Our take ...

BARRONS listed the Bay Area markets as among those leading the recovery nationwide. The Lake Tahoe market historically lags behind those markets, but as the Silicon Valley's playground, inevitably picks up momentum 12 to 18 months after a well-defined Bay Area rebound. I would maintain that the most telling number to look at is the significant jump in sales volume ... 20% over 2011. One thing to remember is that short sale are lagging indicators given the inordinate amount of time it takes to close the escrow from the time the property is listed and then put under contract.

This 'flat' data, indicated by Lake Tahoe short sales in the midst of a recovery, suggests there will be a hardening of prices from the blow dealt to the market over the past four years. We believe this will frustrate any real price appreciation trend for some time. The recovery, as it is so far, is actually a function of new affordability in the Lake Tahoe market. Buyers are gravitating toward the bottom rungs. A wider market more sales ... therefore lower median prices.

We have seen all this before. In the 1980's after years of loose and questionable lending practices Savings and Loans were forced to liquidate foreclosed properties into an already-depressed real estate market. Eventually, the inventory was sold off and the real estate market boomed for years.

INSIDE TRACK INSIDE TIPS

Grahams at Squaw Valley is our favorite restaurant after skiing - if you are still at the mountain at 5:30. Graham's has superb food and the restaurant's delightfully loquacious namesake as host will make you feel as if you just arrived at a friend's home for dinner. We like to sit at the bar with bartender Kat and inevitably chat up some of the interesting and engaging Squaw Valley locals. If not a past

Olympian, maybe one of the Valley's remarkable senior citizens who skied, say, Antarctica last year.

[Grahams at Squaw Valley](#)

530-581-0454

p.s. you can stay there too



Religious freedom is my immediate goal, but my long-range plan is to go into real estate



Michael Willette

"Mike brings a sense of ethics, integrity and advocacy to the real estate profession. Consider me another lifetime reference".

Larry Bienati President and CEO, Bienati Consulting Grp

"Mike is the consummate realtor/broker. He represents what anyone selling their home wants in terms of a professional realtor. He is intelligent, well educated in his profession and in other areas. He knows the real estate market, it's twists and turns and how to use this knowledge to promote your property and get it sold".

Bill and Linda Anderson

"Great site! I still appreciate your excellent work in getting our place sold. Hope all is well". Lem Cragholm

"Mike has exceeded expectations on each transaction- including assisting me in purchases and sales where there's no financial benefit for him. He offers sound advice based on years of experience and continuing market research in the Tahoe Basin. His commercial real estate sales experience and law education make him an expansive thinker, well versed in real estate contracts and not just another 'sales person'. I'm currently considering selling my last property in Tahoe and wouldn't dream of using anyone else".

Dominique Naylor Tahoe Unique Retreats

"I have not had the opportunity to work with any other real estate agent in the Lake Tahoe area, but I can tell you that it would be difficult to find anyone to match up to Michael Willette. He has gone way beyond just helping me find a second home for me and my family. He is down to earth, honest and straight forward. Over the almost 10 years I have known him, I consider him a good friend and I trust his opinions and decisions regarding real estate and life at the Lake". Carl Arellano Tribal Gear Clothing

"Mike made the selection process easy by showing us only the properties he knew fit our guidelines and personality. At all times, Mike was professional, patient, competent and qualified to protect our position and interests. To make this particular transaction even more difficult, we were not physically present for many of the necessary details, relying

entirely upon his knowledge and integrity. At the close of the transaction, we were completely satisfied." Richard and Nancy Buisson CEO R.C.S., San Francisco, CA

"I actually appreciate the opportunity to add my comments to any testimonial for Mike Willette. This is a real estate broker who put together an 'impossible' transaction which put us in our current lakefront home, "Lands End". Mike possesses a great combination of substantive expertise and plain street smarts, you want him on your side".

Bill Collins, Real Estate Developer Star Harbor Lakefront Condominiums

- A Lake Tahoe resident for 30 years
- Dual broker's licenses in California & Nevada since 1984
- A graduate of Boston University School of Law
- The senior broker at O'Neal Brokers of Lake Tahoe
- Four time winner of top producer awards
- Squaw Valley Homeowner Assoc. President ... 13 yrs
- Certified Short Sale specialist with only firm recognized by the NAR
- Qualified as an expert witness on North Lake Tahoe commercial issues
- Children's martial arts instructor

Keller Williams / Lake Tahoe

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Keller Williams is a cutting edge national real estate company that merged with O'Neal Brokers of Lake Tahoe, the community's largest independent real estate brokerage, in 2007. Keller Williams brings a national reputation, seminars and training and in turn assimilated the most experienced real estate team in North Lake Tahoe.

Sincerely,

Michael Willette

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