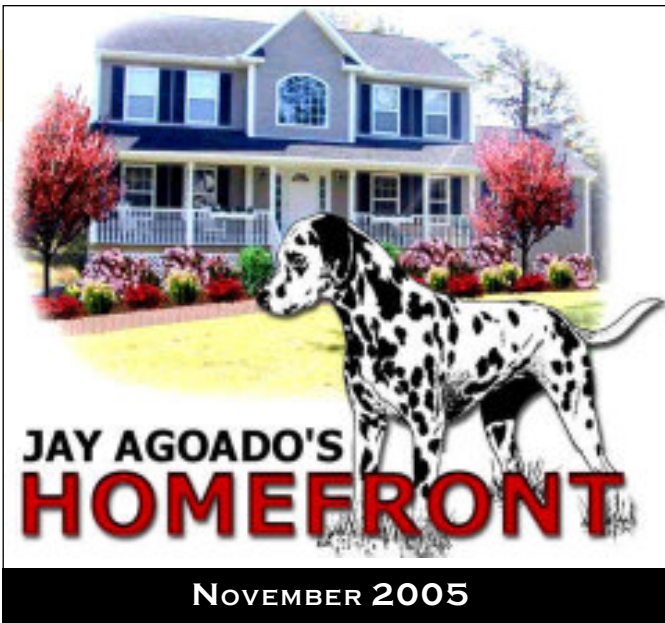


## Fall Is Here



Fall is here and the real estate market is still doing quite well. This time of year we typically see people doing deals before the holidays and the new year. If you're a Seller, there are fewer buyers but the one's out there are serious. If you're a Seller, there is less inventory to view but the Sellers seem to be a bit more motivated versus other times of the year. Rates have risen a bit however it doesn't seem to be affecting us since inventory levels are still so low. We're



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still seeing consistent sales and prices are still escalating. I guess the "bubble" isn't going to burst anytime soon in our region. People ask me all of the time about the "bubble" but I just don't see anything bursting as long as we have a good economy and the major corporations are still hiring. So, those of you sitting on the fence waiting it out, you're going to continue to lose out on appreciation. I remember people telling me in the mid-90's that the prices couldn't go any higher. HAHA

How am I doing? Thanks to you, I made the President's Elite Award for the 4th year in a row! This places me in the top 3% of John L. Scott out of 4,000+ agents. I never get sick of saying that if it weren't for all of you I wouldn't get the recognition year in and year out. I would say that between 80% - 90% of my business comes from past clients, current clients, friends, and family. The client that comes from this type of referral is the best and I couldn't ask for anything more rewarding. Thanks again for helping me achieve my goals!!!



*Jay M. Agoado*

### *the sweet spot of flipping*

*by Lew Sichelman*

Have you ever wondered how good these guys do who buy houses for quick resale?

Well, as it turns out, they do better than most -- better, that is, if they sell within three to six months of purchasing a place.

Ninety-to-180 days is the "sweet spot of flipping," according to a new report by First American Residential Solutions, one of the country's largest providers of property data. Hold a house any shorter or longer than that and you won't do nearly as well.

Of course, we're not talking about fraudsters who use false information to buy a house. Rather, we're talking about savvy investors who purchase distressed or undervalued properties, raise their value by making repairs or even remodeling or simply taking advantage of a hot and getting-hotter housing market.

Most folks buy a house to make it their home. And they reside within it for seven years on average. Flippers have a much shorter time-frame, usually less than two years and often much shorter. They may or may not live in it themselves, and they may or may not rent it to others. They may make only cosmetic repairs or they might perform a complete overhaul.

About the only thing they have in common is that they typically want to get in and get out, making a substantial return on their money in the process. And that kind of flipping is very much a legitimate form of investment, even if it is sometimes highly speculative.

Since it difficult to determine exactly what is was the buyer-owner-seller had in mind from a bunch of numbers, Christopher Cagan, director of research and analysis at First American, looked at all resales within the first 24 months after purchase (but not pre-construction flips) in three super-heated housing markets -- Orange County, Calif.; Miami-Dade County, Fla., and Clark County (Las Vegas), Nev. And his findings are interesting, if not downright surprising.

*continued on back....*

<b>justthefacts</b>						
<b>NWMLS Statistics for King, Pierce, &amp; Snohomish counties</b>						
<b>Month of September 2005</b>						
<b>Residential</b>						
	Closed Sales		Median Sale Price		% Increase	Market
	2005	2004	2005	2004	in Sale Price	Time
King	2958	2640	\$ 381,250	\$ 329,950	15.55%	39
Pierce	1476	1260	\$ 246,250	\$ 207,000	18.96%	46
Snohomish	1392	1179	\$ 310,000	\$ 262,500	18.10%	40
<b>Condo</b>						
	Closed Sales		Median Sale Price		% Increase	Market
	2005	2004	2005	2004	in Sale Price	Time
King	888	840	\$ 229,950	\$ 205,000	12.17%	32
Pierce	90	68	\$ 184,495	\$ 174,475	5.74%	66
Snohomish	184	199	\$ 189,775	\$ 175,000	8.44%	34

## the sweet spot of flipping

Understandably, flippers ride the wave of a rising market and profit from it. But if they sell too quickly or hold too long, they don't do as well as they could if they put their purchases back on the market at just the right time.

Again, Cagan was unable to know how much the investor spent beyond his downpayment. But based upon the price paid and the price received, he was able to calculate the gross profit and adjust for the length of ownership to estimate an annualized appreciation rate.

### And the results?

Flippers in all three markets almost always earned 15 percent or more of gross profit in each market. But those who sold between three and six months often sometimes earned 50 to 100 percent as an annualized rate.

**I** continue to look for the direction of mortgage interest rates to be most influenced by trading activity in the stock market. Higher stock prices will tend to favor fractionally higher mortgage rates while lower stock prices will tend to support steady to ever so slightly lower rates.

I am encouraged by the improving technical profile of the mortgage market and what it potentially means for a possible near-term improvement in your rates. However, as I have said before, "markets – and particularly the mortgage market – seldom tend to crash up." If a

Similarly, almost all sellers made more than 15 percent when they held their properties for six months but sold before a year was out. And as did those with quicker trigger fingers, some did better than 15 percent. But the rate of return of those who didn't sell until sometime during their second year of ownership wasn't nearly as strong as the rest.

But Cagan's findings beg another question: Did flippers beat the market or did they merely participate in it like everyone else?

To answer that question, the economist looked at annualized rates of appreciation for different years of sale and different elapsed sales times, and then compared that with the year-over-prior year price appreciation of all single-family residences in each of the three counties, whether they were flips or not.

rally does develop you'll have ample opportunity to pick-up a little market gain, but because volatility is likely going to be high – I suggest that you limit and preferably avoid initiating "floating" your interest rate as long as the price of the Fannie Mae 5.5% mortgage-backed security trades below 99.406.

Without a meaningful show of power from the buyers by the end of the month – I see a very strong possibility that the unwary could get financially "hammered" by a nasty little mortgage market "head fake" here.

By Larry Baer

In perhaps his most surprising discovery, Cagan found that the annual rate of return for 12 to 24-month sales was just a little above or a little below the rate for the overall market.

The rate for a 6 to 12-month hold tended to be a little better than the market as a whole. But appreciation in the three to six-month category, which represents almost an immediate turnaround as far as real estate is concerned, was usually 20 to 40 percent or more ahead of the market.

Cagan calls this time-frame the "sweet spot of flipping," and said that when they market in the three towns was booming, flippers who found the G-spot of real estate "reaped almost incredible returns."

In other words, to paraphrase country singer Kenny Rogers, if you are going to speculate in the housing market, you've gotta know how long to hold 'em and you've gotta know when to fold 'em.



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