

May 2008

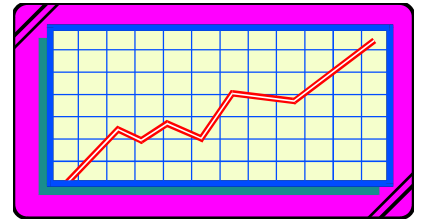
Still Tracking...!

The Anchorage residential real estate market continues to steadily move forward. A quick review of the statistics in the Multiple Listing Service shows that sales prices for the first quarter of this year are very comparable to the last quarter of last year. Sales prices are about the same, or even slightly higher than average sale prices the last quarter of 2007.



1640 Lily Pond Circle
\$349,900 Conveniently located! Built in 1997 and beautifully updated with lots of upgrades like custom tile floors, new carpet, a hot tub, trex deck & new paint. A traditional 2-story floor plan with a full bedroom and full bath downstairs. Master bedroom has a private deck overlooking a creek & pond behind this lot. Home is 2,190 sq.ft. w/4br / 3bth.

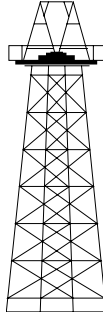
The inventory of homes typically begins to increase about this time of the year. Currently, though, the number of homes on the market is remaining stable and in line with the number of homes we had for the same first quarter period last year. Of course in the prior few years, home inventory levels were substantially lower.



While there is a lot of work to be done and some time involved in the process, BP and ConocoPhillip's announcement earlier this month is a very positive step for all Alaskans. Longer days, sunshine, melted snow and green grass all lend themselves to a better attitude for most people, but the promise of a gas line is what many of us had looked forward to for a long time. Everyone

agrees with Governor Palin, “It’s all good. It’s all positive. If the joint venture between BP and ConocoPhillips results in a gas pipeline, it is win-win for everyone.”

While I don’t expect the prices of homes to increase, buyer confidence should begin to return. Many local individuals have spoken out publicly reminding everyone that real estate markets are “local” and not national, so to trust CNN or World News when making a decision on a home buy or sell in Anchorage might not be relative. I would expect home inventory levels to slowly decline and average market times to shorten. Home appreciation has slowed – and it should. Over the past five years, many people asked out loud “*how long can this continue?*” Modest and slow growth is much easier on everyone!



Alaska Housing Finance Corporation has been advertising this spring too help seen aside the “doom and gloom” headlines in the national media about falling home prices and the rampant loan default. The more Alaskan buyers hear the national bad news, the more they assume the same news must be occurring here at home.

Local property experts have agreed that the many of the situations that aided the problem occurring, didn’t happen here in Alaska. Some of the problem situations were lenders pushing “non-traditional” loans such as interest only loans, negative amortization loans and one year adjustable loans with “teaser” low first year start rates. To most in the business, these type loans were doomed from the start. There were very few “flipped” real estate transactions where people bought houses simply to raise the price and “flip” them without adding any real value to the property. While we didn’t see the giant price increases, we also didn’t see home values fall when the slow-down ultimately occurred.

You gotta be original, because if you’re like someone else, what do they need you for?

Self Employed Borrowers

Are you self employed? Self employed people have challenges borrowing money to buy a home or invest-

ment that salaried employees do not face. What can make the difference between a salaried person versus a self employed person is the lenders ability to verify income. Self employed people may not have pay stubs that can be verified and may not be paid on a regular schedule that is enjoyed by a salaried individual.



Lenders usually use the guidelines established by FHA, Fannie Mae or the VA to qualify self employed borrows. A mortgage lender will consider a borrower self-employed if he / she has a 25 percent or more ownership interest in a business. In looking at a self-employed borrower, the mortgage lender will look for a trend – hopefully increasing – in income. It’s also important for the borrower to have his/her own assets for a down payment and closing costs, outside of projected business income.

Additional criteria that a mortgage lender may look at includes:

- * Two or more years of self-employment
- * Two years of personal and business tax returns
- * Two years minimum average income with a stable or upward trend
- * The length of time the business has been established and the potential for growth.
- * Any other source of independent income and assets.

Just because a home buyer is self-employed doesn’t mean that he/she cannot obtain home financing. While it may take more time and paperwork for the self-employed borrower to go through the mortgage process, having a realistic expectation of what is involved will benefit everyone.

Winners look for solutions, losers look for scapegoats.

Bedroom Egress Window

Back in April of 2006 the Municipality of Anchorage instituted stricter codes for bedroom windows. About once a month, our real estate team sells a house where the new window code is called out by a home inspector, appraiser or lender. It’s a repair that sellers are often

surprised by. We commonly hear comments like “*It was that way when I bought it*”, which is understandable; however that doesn’t matter to the Municipality or building code inspectors. There is no such thing as “grandfather rights” on items such as this that are considered “life safety”. Building Safety requires every sleeping room to have an emergency egress window in it.

Bedroom escape or rescue windows shall have a minimum net clear open-able area of 5.7 sq. ft. Grade floor windows may have a minimum net clear opening of 5.0 square feet. The minimum net clear openable height dimension shall be 24 inches. The maximum window sill height for basement egress windows shall be 48 inches. The maximum sill height for grade and upper level egress windows shall be 44 inches. The construction of a permanent step in front of an existing window will be allowed in order to meet the maximum sill height requirement. The maximum height of the step cannot exceed 7 ¾ inches and the step must be the width of the window, or 36” whichever is less.

If you are concerned the bedrooms in your home don’t meet the sill height or opening requirements above, you can get the handout from the Municipality at their Bragaw office or online at “*Muni.org*”.

Smart leaders know it’s easier to change ideas than it is to change people.

1031 Tax Exchange

The term 1031 Exchange refers to the Internal Revenue Code Title 26 Section 1031, “Exchange of a Property held for Productive Use or Investment”. The IRS allows property owners to defer taxes on capital gains when selling an investment property by “exchanging” the property for another investment property. The 1031 Exchange does not apply to a taxpayer’s primary residence or to properties purchased for immediate resale.



Note that tax codes change constantly and an individual should always consult their tax and/or legal advisor to fully determine the tax implications and legal ramifications

if they desire to participate in a 1031 exchange. The most common property exchange is called a “Delayed Exchange”.

It should be understood that exchanging properties does not forgive the capital gain taxes; Internal Revenue Code Section 1031 is simply a means of deferring the taxes. After talking with a tax advisor and listing the property, it is necessary for the seller to contact a Qualified Intermediary. A Qualified Intermediary is a independent third party who facilitates the exchange. The facilitator holds the proceeds from the sale and acquires the replacement property (the property being purchased). At no time during the transaction may the taxpayer have possession of the proceeds from the sale of their relinquished property.

Internal Revenue Code Section 1031 requires that exchanged properties be “like-kind”. This is not a reference to the level of improvement or quality of the property, but refers to its character or classification. Generally, most real estate used for investment, trade or business qualifies for an exchange. For example, a golf course could be exchanged for a hotel, or an apartment building could be exchanged for a retail space.

There are time restrictions when completing a 1031 Exchange. A taxpayer has 45 calendar days after the transfer of the relinquished property to identify replacement properties in writing. When identifying multiple properties, the taxpayer must meet one of three rules. The first is the “3 Property Rule” whereby the taxpayer may identify up to three properties, regardless of their value. The second rule is the “200% Rule” whereby they may identify an unlimited number of properties; however the total value of the properties may not exceed 200% of the value of their relinquished property. The third rule is the “95% Rule” whereby the taxpayer may again identify an unlimited number of properties, but they must purchase replacement properties worth at least 95% of all of the identified properties.

Finally, the taxpayer has up to 180 calendar days from the transfer of their relinquished property to complete the transaction and acquire the replacement property or properties.

perspectives

While a 1031 Exchange may not be applicable to the sale of all real estate, it may well serve an individual looking to reinvest their capital gains from the sale of an investment property.



Some people who are quick to stand up for their rights fall down when it comes to their duties.

New Listings

2309 Harbor Landing Cir \$324,900 This home was built by The Peterson Group as their model unit. It is located on a cul-de-sac which is a great for families with small children. The home was built in 2003 and shows well. It has three bedrooms and 2.5 baths. There is a large deck in the back yard which was built

to support a hot tub. This home is located in south Anchorage in Southport subdivision, a planned neighborhood with great covenants, nice neighborhood amenities, good close-by schools and grocery store and much more.

3009 Donnington Drive \$257,000 This Colleagate home is centrally located and shows great! The home has four bedrooms and two full baths, is 1,920 square feet with a single garage. The lot is large (7,800 feet) and well treed. The seller has done a great job remodeling this home and pride of ownership really shows!



Motivation can get you jump-started, but it takes perseverance to keep you going.