



California Nevada

## Michael Willette's **Inside Track Newsletter**

**"Integrity Works"**

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Greetings!

In addition to my passion and success in selling and listing homes in both California and Nevada, I have been the leading broker for commercial real estate in North Lake Tahoe. Many of my local clients over the years developed a need for competent representation for their businesses and commercial real estate. I stepped into that role. Now, long experience in the Lake Tahoe commercial market has given me a skill set that has not only served my clients ... but also given me a unique viewpoint on the underlying dynamics at work in North Lake Tahoe's economy.

In this issue of **Inside Track**, I want to begin introducing a few stories about the local economy. They will be anecdotal, not data driven, with the idea of providing insights into a local economy that is having a profound effect on the residential real estate market.

*but first ...*

... let's look at the North Lake Tahoe market through a few revealing Market Snapshots below:

*first*, what's happening to prices (Chart One)  
*second*, what about foreclosures (Chart Two)  
*third*, what about default notices (Chart Three)



## LAKE TAHOE PRICE TRENDS

We have been tracking median sales prices for the last five years looking for stability in a declining market. The conventional wisdom is not to be looking for a 'bounce back' to pre-2007 values; those prices were a function of extraordinary

circumstances and cheap financing, but rather for a 'floor' after years of price erosion. Here's how things look ....

Homes

Condos

| MEDIAN SALE PRICES<br>Single Family<br>Homes<br>Kings Beach to<br>Meeks Bay | MEDIAN SALES PRICE |
|---|--------------------|
| <b>2011</b>   | \$ 432,000         |
| <b>2010</b>   | \$ 445,000         |
| <b>2009</b>   | \$ 530,000         |
| <b>2008</b>   | \$ 650,000         |
| <b>2007</b>   | \$ 749,000         |

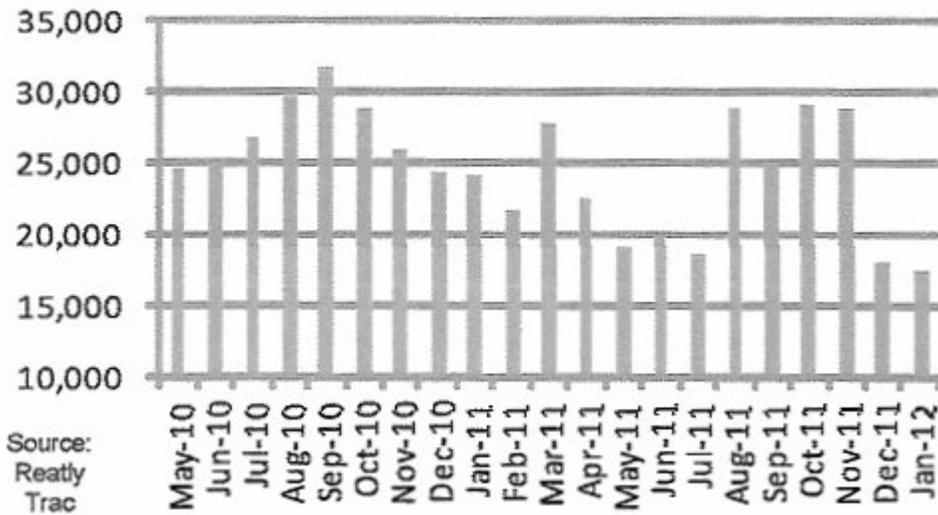
| MEDIAN SALE PRICES<br>Condominiums<br>Kings Beach to<br>Meeks Bay | MEDIAN SALES PRICE |
|---|--------------------|
| <b>2011</b>   | \$ 290,000         |
| <b>2010</b>   | \$ 329,000         |
| <b>2009</b>   | \$ 365,000         |
| <b>2008</b>   | \$525,000          |
| <b>2007</b>   | \$ 551,000         |

We believe we have found that 'floor' (though the condominium market is lagging) - but this is an opinion qualified by the uncertain future of a looming foreclosure resurgence (see below).

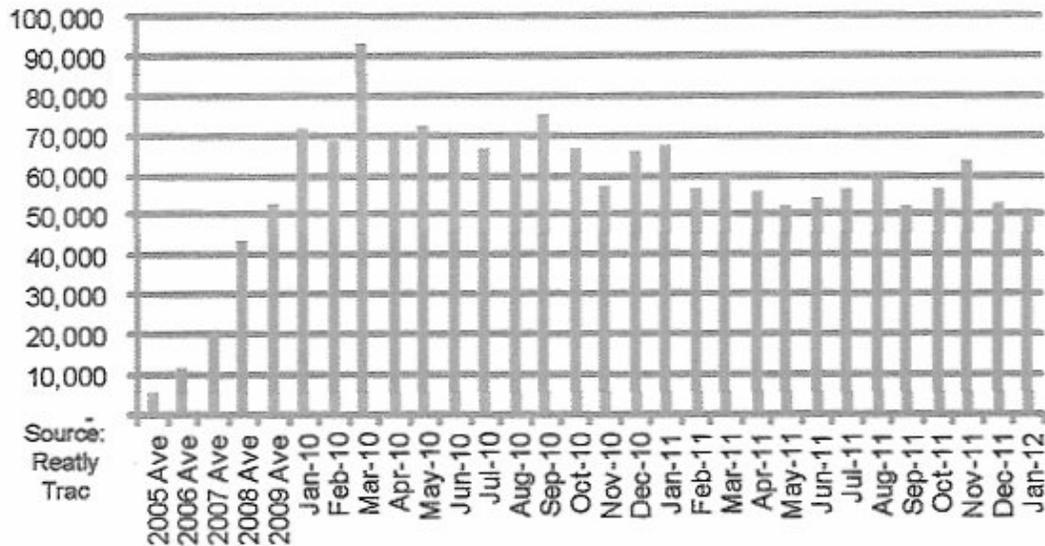
## CALIFORNIA FORECLOSURES AND DEFAULT NOTICES

We believe tracking both foreclosures and notices of defaults - which often lead to short sales - are the best predictors of where the California market is trending. Only when this inventory begins to deplete will there be a platform for price appreciation. There is progress indicated in the charts below; but there are headwinds ahead. See the article following the charts:

## California New Default Filings



## California Foreclosures - Monthly Averages



### A Foreclosure Canary-in-the-Mineshaft

(Reuters)

Zillow expects the resurgence in foreclosures this year, combined with excess inventory of unsold, bank-owned homes will contribute to a 3.7 percent national decline in prices before the market hits bottom in 2013 and stays there until 2016. A painful part two of the slump looks set to unfold: Many more U.S. homeowners face the prospect of losing their homes this year as banks pick up the pace of foreclosures.

In 2011, the "robo-signing" scandal, in which foreclosure documents were signed without properly reviewing individual cases, prompted banks to hold back on new foreclosures pending a settlement. Five major banks eventually struck that

settlement with 49 U.S. states in February. Signs are growing that the pace of foreclosures is picking up again, something housing experts predict will again weigh on home prices before any sustained recovery can occur.

## The Light At the End ...

Kiplingers agrees with us, that watching foreclosure trends is the window to any real estate recovery. They also ask us to look at how foreclosures are handled in each state. In 24 states that require a judges approval, the foreclosure is 2.6 times greater than in non-judicial foreclosure states (California). Home prices are climbing in states (Texas) with 90-day foreclosures (up 1.2% last year). In New York, where foreclosures can take three years, prices fell 1% over the same period.

## Better News

Nevertheless the Tahoe foreclosure / short sale landscape has been improving. We will know more as the season unfolds but for now the trend is positive.

A positive sign has been a revived enthusiasm for buying 'sooner than later' among second home Buyers who are being influenced by a burgeoning Bay Area real estate market. Buyers are no longer reacting with a wait-and-see attitude when shown well-priced property.

Price the home correctly, engage cutting edge marketing and you will sell it.

North Lake Tahoe Foreclosures and Short Sales SOLD in 2011 fell **18%** from previous two years ... 

The current Foreclosures and Short Sales are **14%** of current listings; consistent with recent previous years

## BARRON'S ANOMALY ABOUT THE NORTH LAKE TAHOE MARKET

For those of you who read in a recent Barron's apocalyptic report on North Lake Tahoe real estate, that 'home prices dropped 50% from \$900k to \$500k in 2011', this was flawed data. Barron's used 'average sale prices' which, in Tahoe, are numbers easily skewed by a few high-end sales. When we look at median sale price numbers, the North Lake Tahoe market dropped 2.3% from 2010 to 2011.

## THE LAKE TAHOE ECONOMY

### "A Conversation from the Trenches"

The contractor has been among Lake Tahoe's most successful and prolific quality builders for 25 years. As long as I have known him he would never consider doing any project without County permits. His crew was fully documented.

"Yes. That was the way I always worked. We all did." Leaning over his beer he became more agitated.

"I never risked doing anything without a permit. I paid my guys workmans' comp insurance. Now I'm done with agencies. They're slow. They're inconsistent. The costs are ridiculous. After the Angora fire they piled on new fire codes that raised building costs by 20% ... in 2009 ... in the middle of a construction recession. Can't replace a furnace without an energy audit. That's \$1800. Carpet installation ... and we're doing hazardous waste removal of linoleum. Want to repaint an old house I need an EPA-certificated renovator for lead paint. What does the client do ? He calls an unlicensed guy. He calls Pedro who has a good skill set and work ethic who worked for guys ... and he works for cash. Now ... I just say no checks. No credit cards. Pay me cash."

In 3rd world countries, when the government becomes so inefficient and regulation so oppressive, commerce finds a way around it. 'Gray markets' develop. The good intentions of environmental regulation are put on the sidelines which Lake Tahoe can't afford. Is this where we are headed ?

**NEXT ISSUE ... WE WILL CATCH YOU UP ON THE EXCITEMENT  
IN SQUAW VALLEY**



**Michael Willette**

**"What a great way for us to know who and how often our home is being shown! You are the best, Mike."**

Lem and Anna Cragholm

**"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

**"Without Mr. Willette's sound advice and solid ethics, this**

**business deal would never have been achieved in such a seamless manner."**  
Jerry K. Loeb, Colonel USAF (ret)

**"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 licenses in California & Nevada real estate broker 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 / O'Neal Brokers of 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. O'Neal Brokers added a national reputation, seminars and training with Keller Williams who in turn assimilated the most experienced real estate team in North Lake Tahoe.

Sincerely,

Michael Willette