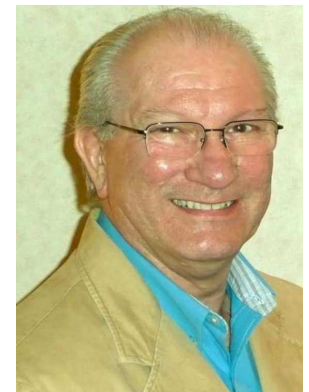


Mar/Apr 2008 NEWSLETTER



Doris Perna, ABR, CSC
Real Estate Sales Associate



Lou Perna, e-PRO, SRES
Real Estate Broker

Special points of interest:

Free 3D interior design software, a tip from [Matthew Ferrera and Company](#). **Sweet Home 3D** is a free interior design product. The software comes with 75 pieces of furniture, but you can download additional items from their website! If you always wondered what that room would look like if you moved around the furniture, try it in Sweet Home 3D first!

Real Estate the IDEAL Investment.

Income - Real estate investments structured with enough down payment, will generate a positive cash flow. As time passes, in most markets, even a highly leveraged, negative cash flow property can turn into a positive cash flow investment.

Depreciation - Theoretical Depreciation is the tax deduction one can use against the income real estate produces. Depreciation is a "non cash expenditure." Residential income prop-

erty is usually depreciated over 27.5 years. Only the improvements are depreciable, not the land.

Equity Build-up - This results from the periodic pay down of the principal amount of the loan, usually through monthly payments on an amortized loan. Even if there is no appreciation over the life of the loan, the property owner would end up with a free and clear property at the end of the loan payment period on a fully amortized loan. This is usu-

ally a 30 year period on residential property.

Appreciation - While the amount of appreciation varies from market to market, real estate is a growth asset and often the largest part of the return on an investment in real estate is the equity gained through appreciation. Even small amounts of appreciation year after year can be considerable. Usually, the longer you hold on to a property, the better. The effect of appreciation is greatly magnified by the use of leverage.

(continued on page 2)

HOMES SOLD IN GREATER CHICAGOLAND AREA NORTH*:

STANDARD HOME = Detached single family 4 bedroom, 2 1/2 baths, basement & 2 car garage.

As of 4/30/08:

MONTHS AGO	24	12	9	6	3	2	1	6 Month Period Trend
# SOLD	3,409	1,340	773	418	175	85	11	→
TIME to SELL (days)	128	148	166	178	167	172	98	↑
SOLD \$	\$452,958	\$447,055	\$424,652	\$418,118	\$415,519	\$425,468	\$459,796	↓
FINAL ASK \$	\$470,712	\$467,746	\$446,281	\$441,205	\$436,927	\$448,046	\$478,295	↓
CHNG TM TO SELL	-	20	18	12	-11	5	-74	↓
% CHNG TM TO SELL	-	16%	12%	7%	-6%	3%	-43%	
CHNG SOLD \$	-	-\$5,903	-\$22,403	-\$6,534	-\$2,599	\$9,949	\$34,328	↑
% CHNG SOLD \$	-	-1%	-5%	-2%	-1%	2%	8%	
# SOLD PER MONTH	142	112	86	70	58	43	11	→
# CURRENT LISTINGS							1,585	↑
# MONTHS SUPPLY	11.2	14.2	18.5	22.8	27.2	37.3	144.1	↑
	5/06-4/08	5/07-4/08	8/07-4/08	11/07-4/08	2/08-4/08	3/08-4/08	Apr-08	

*MLS Areas Barringtons, Elgin, Chicago Area North, Nth Shore, North West Regions & Lake Cnty.

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Mar/Apr 2008 NEWSLETTER



FSBO Sellers Decreasing

By Jessica Lautz, Senior Research Analyst

The percent of FSBO Sellers has steadily decreased in the last 10 years. In 1997, 18 percent of sellers sold their home without using a real estate agent. In 2007, the portion of FSBO sellers decreased to 12 percent. During this time, the percent of sellers who sold their home using an agent or broker has steadily increased. FSBO sellers recognize the benefits of using an agent and that selling a home often needs professional assistance. More than 40 percent of FSBO sellers sold their home to someone who they knew. For

these FSBO sellers, less than five percent were assisted by an agent. However, FSBO sellers who did not sell their home to someone who they knew, nearly one-quarter were assisted by an agent in the sale of their home. For FSBO sellers, who at first were not assisted by an agent, but later were, their selling price was typically lower and the number of weeks on the market was longer, than those who were assisted by an agent all along. Ironically, FSBO sell-

ers who originally were selling their home solo, but later assisted, were most urgent to sell their home than any other type of home seller. FSBO sellers know the challenges of selling a home solo, such as understanding and performing paperwork, preparing and fixing up their home for sale, and selling their home within the length of time planned. This group of home sellers needs the help of a professional agent to help them with their home selling needs.

The stats say: Selling on your own is a monetary risk.



	All Sellers	FSBO			Agent-Assisted		
		All FSBO	Seller Knew Buyer	Seller did not Know Buyer	All Agent-assisted	Agent-assisted only	First FSBO, then Agent-assisted
Median selling price	\$235,000	\$180,000	\$142,411	\$207,870	\$240,000	\$242,000	\$190,000
Median (sales price as a percent of asking price)	97%	99%	100%	96%	97%	97%	96%
Median weeks on market	8	2	1	4	8	8	12
Sellers need to sell:							
Very urgently	19%	16%	14%	18%	19%	19%	20%
Somewhat urgently	50	45	52	40	51	51	53
Not urgently	31	39	34	42	30	30	19

IDEAL Investments (continued)



Leverage - Through the use of borrowed money (OPM - Other People's Money), combined with a small amount of money of your own, you can control real property. The best leverage most of us can obtain in the stock market is 50%. In real estate, it is not unusual to obtain 80%, 90%, and even 100% leverage.

With leverage usually comes risk, and with risk comes potential for investment reward.

In addition to the **IDEAL** as stated above, real estate investments have potential additional tax benefits - Investors are allowed to write-off (within income limitations) all operating expenses, interest on loans

secured by the property, and property taxes. Also, Gain from the sale of real estate is treated as capital gain and investors also have the option of exchanging which, if done in accordance with the tax laws (IRC 1031), can result in partial to no recognized gain, which effects the immediate cash tax consequence.



Perna Properties Group

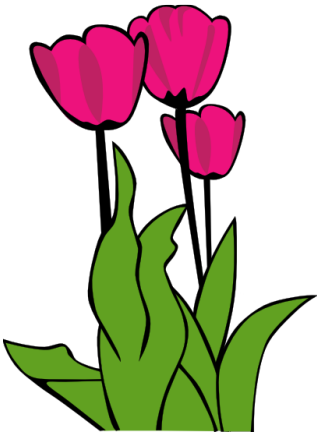
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Perna's Corner



- Spring is here! Terrific!
- If you have my last issue, you may find it interesting to look at the 3 month columns side by side. While I do not measure them for a trend (too short) there is significant improvement in the # of homes sold (6 month bottomed?) and the time to sell. Maybe things are on the upswing?
- Last issue I noted the low 30 year conventional fixed mortgage rate. But if you are a Veteran (Doris & I are) don't overlook the VA Mortgage Program:
 - * Seller can pay all the closing costs
 - * VA rate is much lower than jumbo rates
 - * No monthly mortgage insurance required (funding fee required unless the borrower is a disabled veteran)
 - * Down payment for the jumbo VA is much lower than that of a Conventional loan and can come from a gift or an unsecured loan

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Loan Comparison Example:

Sales Price of \$500,000 for a borrower with a 670 Credit Score

	VA Fixed	Conventional
Required Down Payment	\$20,750	\$25,000
Interest Rate (1 point)	6%	7.25%
Monthly PMI	\$0	\$326
P&I payment	\$2,968	\$3,240
Total	\$2,968	\$3,565

Economic Stimulus Package signed by President Bush



- GSE loan limits raised in local areas from \$437,000 (example the DC area is raised to \$562,000, the Boston area +\$530,000).
- Raising the FHA loan limits alone is expected to help more than 130,000 new buyers enter the market, and more than 200,000 people will be able to refinance their costly mortgages. Increasing the GSE loan limits is expected to result in as many as 500,000 refinanced loans and another 300,000 home sales.
- These increased limits are temporary - 1 year.