



FALL 2018

REALSMART

Newsletter

A QUARTERLY JOURNAL OF REALSMART IDEAS

MYTH BUSTERS: STOCKS OUTPERFORMING REAL ESTATE SINCE 2011?

Real estate and the stock market are often compared to each other, mostly because they are the two most common places for people to invest their money. However, simply comparing growth in home prices to that of the stock market is problematic when trying to determine which is the better investment, as it doesn't paint a complete and accurate picture.

Take, for example, a recent Business Insider blog titled, "Is buying a house a better investment than the stock market? We did the math, and the answer is clear". In it, they charted home prices against the S&P 500 at various points throughout the housing crisis until now in order to demonstrate that stocks have consistently outperformed real estate.

Since May 2011, which roughly marks the beginning of the housing market recovery, home prices are up 48%, while the S&P 500 has shot up 99%. That means the house you bought for \$1 million in 2011 is now worth \$1,480,000, and the \$1 million you invested in stocks around the same time has nearly doubled. These numbers alone would certainly seem to support the Business Insiders' claim that stocks are the better investment, at least over that specific period of time. But they're forgetting one very important detail...

Buying a \$1 million house doesn't cost you \$1 million. Assuming you paid a 20% down payment, it only cost you \$200,000 initially. So that \$480,000 of equity you've built up over 7 years since 2011 is actually a 240% increase on your initial down payment. Even after factoring in 7 years of an estimated \$4,500/month in mortgage, property taxes and

insurance, the \$578,000 total that you have invested into your home has yielded an 83% return. Also, let's not forget that in the 7 years of having the \$800,000 mortgage - you would have paid down roughly \$115,000 of principal. So while it cost you \$378,000 in payments, \$115,000 of that reduced debt...thus creating more equity. So the value grew to \$1,480,000, but the debt shrunk from 800k to 685k. Therefore your \$200,000 down payment plus your \$378,000 in operating costs yielded \$795,000 in equity. That's 137% return over 7 years. Further, if you've been operating this home as a rental property, that extra \$378,000 you've spent on operating costs was likely recouped by the rental income you've collected, as well as the tax advantages you've benefited from.

The important take away here is the evaluation of real estate and stock as investment options doesn't come from a simple appreciation rate. Deeper and more detailed analysis should be done. And sometimes, it just comes down to what investments you enjoy following. Clearly, I think real estate is more fun.... Karen and I have been at it for 25 years with no intention of stopping!



Bryan Jacobs

RealSmart co-founder
bryan@realsmartgroup.com

IN THIS ISSUE

STOCKS VS. REAL ESTATE	P. 1
RS FUND UPDATE	P. 2
REAL ESTATE ON THE BALLOT	P. 2
FLOORING OPTIONS	P. 3
MORTGAGE UPDATE	P. 3
FEATURED LISTING	P. 4

REALSMART FUND UPDATE: HOWE & HYDE ST. PROJECTS

740 Howe Street, San Mateo

Exciting news! Our latest project on Howe Street in San Mateo is complete, and will be the site of our next Fixer Mixer on Friday, October 19th! This is a great opportunity to see the work we do first hand - we hope to see many of you there!

-The RealSmart Team

Join us for Oktoberfest
inspired food & drinks!



Howe Fixer Mixer

Date: Friday, October 19th, 2018

Location: 740 Howe Street, San Mateo

Time: 4:30pm - 7:30pm

REAL ESTATE ON THE BALLOT: PROPOSITIONS 5 & 10

The Statewide General Election is coming up in November, and there are a couple important ballot measures to consider which could have a significant impact on the real estate market. Below is a quick assessment of Propositions 5 & 10 on this year's ballot:

Prop 5: Property Tax Transfer Initiative

Currently, under Props 60 & 90 homeowners over the age of 55 are eligible to transfer their property tax assessment to a new home if it is of equal or lesser market value to their current home. The transfer must also take place between participating counties (of which there are only 11). Prop 5 would expand the program to allow transferring your tax assessment to homes of greater market value anywhere in the state. It also extends the program to individuals with severe disabilities.

For people who live on fixed incomes, having to shoulder a stepped up property tax assessment could be a huge deterrent from moving, and might prevent them from moving closer to family or vital healthcare facilities. Allowing them to carry their tax assessment with them not only eliminates that

Karen Vega
RealSmart Co-Founder
karen@realsmartgroup.com



Hyde Street Condos, San Francisco



Steady progress is being made at our Hyde Street property, where we own three condominium units. Work on the front of the building is complete, with new garage doors, front entryway, and paint. We've also revived the lobby. Inside, our units are coming together nicely, as sheetrock is up and we're moving on to the finer details.

Call RealSmart for more information on our Fund projects and how to invest: (650) 363-2808

concern, but it also helps facilitate better circulation in the real estate market. For these reasons, RealSmart recommends voting YES on Prop 5.

Prop 10: Repeal Costa-Hawkins Act

Passed in 1995, the Costa-Hawkins prevents cities from establishing rent control over single-family homes, condos, and new apartment buildings. It also prohibits vacancy control, which restricts a landlord's ability to raise rent even when a new tenant moves in.

Repealing the Costa-Hawkins Act would add fuel to many local rent control battles, and allow cities to craft even more restrictive policies. Cities where rent control already exists, like Los Angeles and Berkeley, are already thinking of ways to expand their ordinances should Prop 10 pass.

We've detailed RealSmart's stance against rent control ad nauseam in previous newsletters, but in short - it infringes on private property rights, puts the burden for providing affordable housing on private property owners, and has actually been proven to increase market rents in the long run. For these reasons, RealSmart recommends voting NO on Prop 10.



HOME RENOVATION CORNER:

WEIGHING YOUR FLOORING OPTIONS



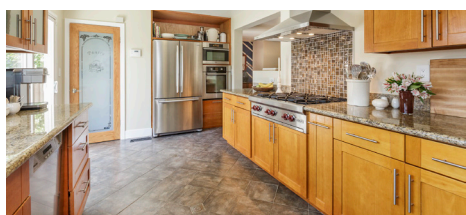
One way or another, your floors will take a beating. Depending on your lifestyle, the number of members in your household, and the climate you live in, they might REALLY take a beating. That's why it's important to seriously weigh your options, as they are not always one size fits all. Let's take a quick look at some pros and cons of the most popular flooring options:



Hardwood: Ah, the timeless classic. Hardwood can bring a rich warmth into a home while still giving off a polished shine, if done right. It's durable and easy to clean, though prone to scratching (we've all had shivers go down our spines when someone scoots their chair across a hardwood floor). It is pretty durable, works in every home, and can be refinished a few times to buff out imperfections.



Carpet: Cheaper and easier to install than hardwood, carpet can also bring warmth and comfort into your home. Unlike hardwood, carpet gets dirty easily, needs to be shampooed regularly and are not ideal in any room with running water or where there is likely to be high foot traffic. If you have a large family, pets, and a busy home, carpet might be best kept in the bedrooms.



Tile: The most durable and easy to clean of the three options discussed here, tile can also add the most style and character to a home, as it comes in any number of shapes, sizes, colors, and patterns. In its traditional form, too much tile can make your home feel cold and sterile; however, the advent of wood-look ceramic tile has changed this. Now, it is much more common to see tile in living rooms and bedrooms.

MORTGAGE UPDATE

Your Mortgage Team:

George McFaden - george.mcfaden@supremelending.com - NMLS#344084

Laurie Musielak - laurie.musielak@supremelending.com - NMLS#253971

A Silver Lining to Rising Mortgage Rates

For much of the year, mortgage rates have been on the rise. No hopeful home buyer likes to hear this, but fortunately there IS a silver lining. As interest rates rise, lenders can afford to offer some more liberal loan products, which is exactly what we're seeing this year. Below are a few of the more interesting new products that have become available:

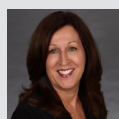
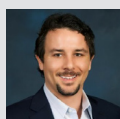
40-Year Interest Only Loan: This loan allows you to amortize your loan over a 40-year period rather than 30, while making payments towards the interest only for the first 10 years. After 10 years, you make payments on the principal and interest based on a variable rate. The benefit is significantly lower monthly payments on the front end, though you'll end up paying much more in interest over the life of your loan.

5% down payment on loans up to \$1,500,000: Yes, you read that correctly. This means qualifying borrowers can buy a home worth up to \$1,575,000 with

only \$75,000 (=5%) down!

Is money for your new home tied up in your current home? For years, this would mean you'd have to sell your current home before qualifying for a loan on your new home. Now, you can get approved for the loan on your new home as long as you sign a contract with your lender assuring that you will either sell or rent out your current home. This allows you take your time selling your home, with no need to request a long rent back!

For more information on these, and the many other new loan products available, reach out to your loan team any time.



-George & Laurie



THE REALSMART TEAM



BRYAN JACOBS - REALSMART CO-FOUNDER
BRE # 01129660

KAREN VEGA - REALSMART CO-FOUNDER
BRE # 00930844

CAMILO PEREZ - REALTOR & CONTRACTOR
BRE # 01875711

DENNIS VORRISSES- REALTOR
BRE #01406502

TODD WEIDMER - REALTOR
BRE # 01320934

RUTH KRUMBHAAR - REALTOR
BRE # 02013157

SHELLY NORMOYLE - TRANSACTION COORDINATOR & INTERIOR DESIGNER
BRE # 01332984

ROBERT TRALLER - MARKETING COORDINATOR
BRE # 02022266

(650) 363-2808

www.realsmartgroup.com



REALSMART

REALSMART GROUP
50 EDGEWOOD ROAD,
REDWOOD CITY, CA 94062
(650) 363-2808

FEATURED LISTING

740 HOWE STREET
SAN MATEO



UPDATED 2BD/1BA IN SHOREVIEW

Tastefully updated 2BD/1BA home w/ family room in San Mateo's Shoreview neighborhood. Kitchen features new cabinets, counters, and appliances. Updated bathroom and new lighting throughout. Attached garage and a spacious backyard with storage shed. Look for this listing late-October!