



In This Issue of the PEOPLES REPORT

PAGE 2

- Agent Directory
- PMG Update

PAGE 3

- The Real Estate Bust Through the Eyes of a Former Banker
- Auction Services Evolve for Peoples Company

PAGE 4

- The Rules of the Game

PeoplesCompany.com

PeoplesCompany.com has a new look. We hope you enjoy the enhanced site and find it easier to navigate. Behind the change is our continuing mission to provide our clients with an industry leading website where you can find information without obligation.

Please take a moment to visit the new and improved website where you can connect to the Peoples Company LinkedIn and Facebook pages and sign up for RSS feeds to receive updates on new listings. You can find our current events, webinars, search listings and agent roster as well as listings sorted under land, residential, commercial, auctions, and developments tabs. We hope you find our efforts to make PeoplesCompany.com even more user-friendly and we invite your feedback on these changes. ♦



Copyright © 2010 Peoples Company LLC.

Peoples Company trademark symbol is a licensed trademark of Peoples Realty Company LLC.

Each office is independently owned and operated. Licensed in the State of Iowa.

View Our Latest Residential, Commercial and Land Listings at PeoplesCompany.com · DealYourOwn.com

PMG UPDATE:

STAFF OFFERS EXPERTISE IN DISTRESSED PROPERTY REHABILITATION AND BRANCHES INTO ASSOCIATION MANAGEMENT By Andrew Westlake

It has been a busy year for Peoples Management Group (PMG). Early in January, we began a number of new projects for both local and national banks. We took over management of bank owned (REO) properties and in some cases, receivership duties for properties such as family-run restaurants, single family rental homes, automotive dealerships, development ground and large apartment complexes. It seems that as we get deeper into the pool of REO properties, the conditions of



some of these assets continue to decline. From boarded up homes with vagrant populations, to low-income housing complexes, to suburban strip malls, each project presents its own challenges. The common theme, however, has been the desire of the lending institutions and owners to maximize the values of their assets and dispose of them quickly.

As each property is unique, so too is the approach necessary to position the asset for a quick and financially expedient disposition. One large project required a new 19,000 square foot roof and significant repair of water damaged ceilings, walls, and flooring. Another required rehabilitation of more than 20 apartment units in order to offer them for lease and salvage asset value. Still others require nothing more than clean-up and cosmetic repairs. In each case, we have worked closely with the lending institutions and court system to obtain prior approval of large costs and to justify necessity.

Our relationship with Peoples Company agents has allowed us to dispose of a large number of these REO assets. The close coordination necessary to efficiently manage and dispose of these types of properties is inherent in our company structure. With our collaborative culture and an in-depth knowledge of all aspects of real estate brokerage and management, we are equipped to handle any challenge for our clients.

As Peoples Company and PMG have continued to broaden our services to offer property management and land development services, we have also been asked to serve in capacity of association manager. While this is a new service for our firm, it complements our diversified approach to selling and managing real estate. PMG's association management program specializes in providing sophisticated services from the pre-development stage to the point associations are fully sustainable. The foundation of PMG's approach is building communities that are firmly focused on meeting all of the needs and goals of its developers, residents and volunteer leaders.

By hiring professional management, developers and homeowners will discover that their neighborhoods become more attractive and their associations run more efficiently. The burdens of common area maintenance and by-law enforcement no longer take away from family and social activities. Record keeping and financial reporting become accurate and trustworthy. Finding volunteers for association boards becomes easier due to decreased responsibility. In this way, employing professional management for your association or development enhances your neighborhood's appeal and, ultimately, the value of each lot, home, and business.



If you are interested in learning more about our approach to association management or REO property management, please contact Andrew Westlake at 515-771-7588. ♦

INDIANOLA/WEST DES MOINES

- Matt Adams 515-423-9235
- Daran Becker 515-979-3498
- Steve Bruere 515-240-7500
- Bobbie Burnett..... 515-249-4429
- Roger Case 515-975-1993
- Adam Curran..... 641-203-2931
- Jim Curran..... 641-203-2931
- Bob Darr 515-707-9244
- Kalen Eastwood 515-402-3169
- John Hutchcroft..... 515-321-5970
- Mike Inman..... 515-975-6800
- Vince Johnson..... 641-891-5326
- John Landon 515-249-0348
- Dick Ledlie 515-975-6395
- Travis Moulton 515-494-1066
- Randy Murphy 515-669-9332
- Brandon Patterson.....303-884-8111
- Terry Pauling..... 515-249-9192
- Rick Shafer 515-988-1338
- Ed Trudeau 515-423-5377
- David Wendt 515-371-4320

CEDAR FALLS

- Brian Feldspauch..... 641-751-8840
- Matthew Good 319-830-6014
- Randy Luze..... 319-415-0455
- Josh Wolf 319-269-8252

PEOPLES MANAGEMENT GROUP

- Zach Allsup 319-361-3690
- Scott Nevitt..... 515-201-5441
- Jay Sharp..... 515-240-0719
- Justin Washburn..... 515-778-2601
- Andrew Westlake 515-771-7588

THE REAL ESTATE BUST THROUGH THE EYES OF A FORMER BANKER

By Daran Becker

In 2007, when all seemed to be right in the world, most bankers in the Midwest were told that their earnings did not compare well with like-sized banks from around the nation. In response, loan standards were stretched in order to obtain new business. Cash required to start a project became negotiable. West Des Moines, like other regional hot spots, witnessed mass construction of bank branches. Banks that did not build branches purchased participation loans in land development or ethanol ventures. Improving earnings to please regulators and shareholders was every banker's goal.

Hindsight is 20/20. The lax lending standards of the era were a ticking time bomb. The housing and development bubble exploded, the secondary housing market came to a halt and corn prices drowned the ethanol industry in red ink. Few were spared. Some of the best and brightest developers, bankers, and investors got caught.

Three years into the real estate crisis, you may be wondering why your banker continues to scrutinize your requests for credit. Your loans have never been late and your personal financial statement is stronger than ever. So why are you required to put more and more cash into every project? Why does the term "spec home" cause your banker to break out in a sweat. Why, because every banker has junk assets on the bank's balance sheet and it is extremely costly.

Even the best underwritten loan can falter when the economy tanks and unemployment goes over 10%. While we have all seen the infomercials on how to buy bank owned property at steep discounts, your banker has learned his lesson from the other side. Bankers usually go through a common progression when dealing with the aftermath. The first stage starts with idea they can get all their money back. Second, after the property is appraised, they hope to get most of their money back. Third, they receive offers at 60 cents on the dollar but refuse to settle for such a loss. Time goes on, the property deteriorates, and the taxes and maintenance costs continue to add up. At the mandatory reappraisal in twelve months, the appraiser is looking at the worst case scenario. Finally, the decision is made to dump the property, cut costs, and work on the next problem.

The foregoing scenario is staring down today's commercial real estate market. Several factors go into determining the value of a commercial

property. Ninety percent of those factors deal with the property's ability to generate net income on an ongoing basis. Currently, there is an oversupply of many types of commercial real estate assets and the laws of supply and demand are driving rents down. Communities have overbuilt infrastructure and in order to balance the budget, taxes on real estate will be increased. These factors, combined with the fact that the banking industry can't lend, cuts into the potential buyer pool. The common result is that a property that once appraised for \$1,700,000 will sell for \$700,000 at auction. This not only effects the property that the bank has repossessed, but also every other loan of that type in its portfolio.

The same examiners and shareholders who demanded higher returns, now have little sympathy for bank management. Examiners are preaching safety and shareholders want preservation of value. Each loan charge-off directly impacts earnings and causes concern with the rest of the portfolio. Development loans are strictly scrutinized and if lots don't sell quickly, the loan is downgraded. The same logic follows with spec homes and commercial real estate. Examiners are requiring banks to aggressively write down their bad loans, while simultaneously increasing both their loan loss reserves and their capital. For those banks that are unable to increase capital, the only alternative is to shrink the balance sheet. This causes the percentages of loan loss reserves and capital to go up by default. The result is that only a few banks are aggressively writing loans.

To my banking friends, I give the advice to be proactive in managing your bank-owned properties. If a property is rented and looks like it is being cared for, the return will be much greater. Hire a real estate professional who knows both the market and the qualified investors. Quit wasting time with tire kickers! Finally, have the authority to make a decision when the right selling opportunity presents itself. Waiting until the next board meeting could mean the loss of a buyer, or perhaps the only buyer.

What the infomercials fail to convey is that when times are tough, it takes cash to thrive. For those with cash and a banker who is able to loan money, the opportunities are abundant. The real recovery hasn't started yet, so there is still plenty of time. The next several years could and should generate extreme wealth for those with the guts, brains and cash to jump into the market. ♦

AUCTION SERVICES EVOLVE FOR PEOPLES COMPANY

By Matt Adams

Real estate auctions have been a core part of Peoples Company's business since its inception. We have been successful with our auctions by developing a highly competitive setting where well informed buyers bid the property to market or above market values. While historically the majority of our auctions have involved the sale of farm real estate, over the past 12 months we have seen strong interest in non-traditional property auctions including residential lots, development land, commercial properties and residential properties. The primary difference between sellers of the past and sellers of the present is that motivations have shifted from WANTING to sell when times were good to NEEDING to sell in the current market.

In many instances, the current difficult economic times and deflating asset values have made owning real estate difficult. The bulk of our distressed property auction activity has resulted from banks and owners needing to liquidate assets. Capital calls, sales volume reductions, difficulty obtaining financing and strict banking regulators have forced property owners and lenders to make some hard decisions on the best way to liquidate their

holdings and move on. Peoples Company's ability to handle auctions for all property types has made us a one-stop shop for those seeking to sell in an auction setting.

Our marketing efforts begin by utilizing the land, residential, and commercial MLS systems to engage other real estate agents who may know of interested buyers. Our website has been a solid resource for buyers seeking detailed information about the sale property. In addition, Peoples Company's nationally recognized auctioneer has been a key factor in the success of our auctions. Utilizing creative and aggressive marketing strategies assures that our auctions are presented to all types of buyers and that our sellers receive the representation they deserve.

Whether a seller is seeking the sale of a land, commercial, or residential property, we have the expertise and agents to accommodate any opportunity that is presented to us. If you are interested in buying or selling property utilizing the auction method, please contact Matt Adams at 515-423-9235. ♦

The Rules of the Game



Steve Bruere
PRESIDENT

With the fear of alienating some of our client base, I have avoided writing articles expressing my political ideologies. This said, I have found the current role of the government in our lives fascinating and am compelled to share my insight into the government's impact on the economy as it relates to the real estate business.

After sitting through one of our weekly sales meetings, it hit me that Uncle Sam has been the dominant force for a great deal of our volume in 2010. From the government's first time homebuyer tax credit to historically low interest rates sponsored by government backed entities Fannie and Freddie; distressed asset sales by banks as a result of FDIC audits; local option sales tax money being used to expand schools; the use of Section 1031 tax free exchanges to acquire land; motivated sellers trying to beat an increase in capital gains in 2011; stimulus money for new road and municipal projects; and conservation easements on farmland, over 70% of our 2010 transaction volume has been impacted by some sort of government initiative or program.

In addition to tracking the transactions that were successful as a result of government intervention, we also have a long list of deals that did not occur because of the government's role in our lives. Several opportunities with individuals in the healthcare industry stalled while the government made drastic changes to our health care system. Bio-fuels projects came to a halt when the government did not extend tax credits vital to the bio-diesel industry. Families struggled to make important planning decisions as law makers refused to address the estate tax and the stepped-up basis.

I can outline example after example of how government policy has directly impacted our business. However, government intervention is more evident in banking than anywhere else. As Daran Becker points out in his article, the government is urging banks to loan money while the regulators in the FDIC and Federal Reserve are requiring banks to mark down asset values, unload assets and increase capital levels. As a result, banks lose their motivation to make new loans and refinance existing loans, further intensifying the deflation of asset values.

While I hate to admit the turmoil in the real estate market has been good for our business, as Matt Adams points out in his article, our auction

business has evolved from marketing highly competitive assets to helping lenders liquidate assets. The expansion from our traditional land management business to general property management continues to open doors as our management of distressed assets grows monthly.

As I write this newsletter, Peoples Company has been engaged by 14 different lending institutions to market, auction, manage, consult and develop properties. My days are spent having coffee and lunch with special assets employees for Central Iowa lending institutions. The common question amongst these individuals is: "When will the real estate market improve?" My answer continues to be centered on the ability to attain economic stability and the exit of government interference from our lives and businesses. Perhaps this was best summed up by a prominent Des Moines banker when he told me, "We all know it's a game, we just want to know what the rules are." Until business owners and individuals feel a sense of stability and have a clear sense of direction from policy makers, the economy will continue its sluggish performance. ♦

www.PeoplesCompany.com

P.O. Box 358
113 West Salem
Indianola, IA 50125

INNOVATIVE. REAL ESTATE. SOLUTIONS.

PEOPLES
COMPANY

