

# MORE GOOD NEWS



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## The Sky Is Falling

It's all going to crash... The U.S. is in trouble, stock markets are down, no, now they're back up again, the housing market is over inflated, there is a great big bubble waiting to POP all over your head! In other words 'The Sky is Falling'. I hear: 'Housing prices can't go up anymore' Well, in some markets they shouldn't. And in those markets they tend to go up and... back down. When an economy isn't balanced and speculation is rampant, then sit and wait it out. Don't let emotion rule over reason.

"Prices can't go any higher! They've increased too much! It's impossible. It's too expensive. Should I sell? How 'high' is 'high' anyway?" What *do you* base your logic on?

**The sky is always destined to fall for some.** There has been a lot of worry and fear mongering in the media lately, especially concerning the U.S. housing slowdown. It's true that certain markets will be harder hit than others. But, at the same time it's imperative to understand that real estate is regional and while some markets decline, others flourish.

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**In Alberta we've had a tremendous year of appreciation and I'm hoping for a little market fear, just enough to create a wave of anxious sellers or a slight dip in prices.**

Why would I want that? Well, to buy more property of course. A slight cooling off of the market will give us the chance for another round of value priced purchases.

**There's no need to worry about the economy;** Weakening oil prices (they can drop to \$20 p/b and Alberta is still profitable), a glut of supply or a new source- whatever it may be, bring it on. Alberta is sitting in a stable, long-term situation that is only getting better, thus increasing house prices due to the strength of economy, value of homes and insatiable demand for housing.

*Continued on page 2...*

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## The Sky Is Falling

Article by Glenn Simon Inc.

### Balanced markets go up, take a breath and start again.

We've been going up and a little break sure would be nice. Property is still an absolute bargain in Edmonton and many other Alberta towns.

**Let the sky fall. Run for cover.** Alberta's good news is really just starting to spread. Edmonton is now ranked as the best city in Canada to live for lifestyle, beating out even Vancouver. And it IS great. Housing affordability in Vancouver touched 70% last month- meaning 70% of an average B.C. income goes to mortgage payments...

**Hey, wait a minute!** Don't you still have to payout about 40% in taxes too? Yup, compared to Edmonton, which weighs in at a whopping 17% for condominium prices. Even with recent increases we are full 'o value. Did I mention that Edmonton also has the **highest employment rate in North America?**

Over winter we *should* see a few more properties coming up for purchase and then in spring the market will heat up again, decreasing inventory.



*Read what's relevant: Let the masses be swayed by emotion.*

## Top 7 Ways To Accelerate Your Abilities

By Chris Widener

**1) Become dissatisfied with your current state.** Growth for growth's sake is good. Those who will achieve much are those who say to themselves, "I want to grow. I want to be better. And I am willing to do what it takes to get there. This current state is not enough!" This dissatisfaction will create for you an insatiable drive to do what it takes to get your abilities to the next level.

**2) Visualize the benefits of increased abilities.** Put them at the forefront of your mind. This will saturate your mind with the motivation that you will do what it takes to increase your abilities. What good will come out of my increased ability? How will I be better off as well as the others around me? The answers to these questions act as the carrot before the horse, moving you forward.

**3) Understand your weaknesses.** If you want to improve, one of the best ways is to start with some area that you aren't particularly good at. This is the "shoring up method." Sometimes it is easier to improve something you aren't good at than something you are. And the gains will still time to consider what areas you are weakest in and focus on them for a while. The results will obviously be much more pronounced than getting better at something you have already somewhat mastered.

**4) Attempt greater levels of what you are already good at.** Another tact to take would be to stretch yourself in an area that you already have some skill and ability in. What areas do you excel in?

**Now understand that when you leave the weaker areas and make extraordinary gains in one area,** you will be moving more toward "specialist" rather than "generalist." That is O.K., but needs to fit in with your overall goals.

**5) Commit time each day to improvement.** Steady improvement is the way to go. In fact, you may not see improvement for days or weeks. You may feel like you are failing each time. But alas, eventually you will get it and your skill will increase to the next level. The key is day in, day out, spending time working on improving. Even five minutes a day equals a half hour a week, two hours a month. That adds up! Remember; practice, practice, practice.

**6) Seek out and spend time with someone who has greater ability than you.** One of the best things to do to increase your ability is hang out with people who are already more skilled than you. Watching them, studying them, interacting with them, even competing with them will make you better. As in sports, to improve, you play with people better than you, not worse. They will raise you to a new level. Who around you can you get involved to help you with your ability?

**7) Take a class or hire a coach.** Go to school my friend. Take a course at a local college or vocational institute. Take a class online. Hire one of the many coaches available today. Pick a specific skill you would like to improve upon and find someone who is a specialist in that area. At the very least, pick up some audio or videotapes to help you grow.

Please see *U.S. Economy Feels Bite of Housing Bust* on page 3

## U.S. Economy Feels Bite of Housing Bust

**By: Jay Bryan, The Gazette**

Published: Monday, October 28th, 2006.

**MONTREAL - For the past several months, some economic forecasters have been intoning gloomily that the end of the long, powerful U.S. housing boom was much more than a slowdown; that it represented the bursting of a massive asset bubble, and would have a severe impact on U.S. economic growth.**

Now that we're beginning to see the evidence, the gloomsters are looking prescient. There's certainly evidence that the negative economic shock is real and substantial.

As we discovered yesterday, economic growth in the U.S. kept sliding during the third quarter. What's more, it slid much more rapidly than most forecasters had expected, falling to an annual growth rate of 1.6 per cent from the already-subdued 2.6 per cent recorded for the second quarter.

The principal culprit: housing construction, which plunged at a 17.4-per-cent annual rate, the worst performance since the recession of 1991. "Housing is in a full-blown recession," concludes Merrill Lynch economist David Rosenberg.

Worse, new-home buyers can now expect that the value of their investment will fall. In the U.S., the national average price of existing single-family homes dropped by 2.5 per cent over the past year, the worst showing since this data began to be compiled in 1969.

***“To put this into perspective, just compare it with the more sedate performance of Canada's housing market, which (outside of red-hot Alberta) has seen more modest price gains, but also much less of a price reversal.”***

To put this into perspective, just compare it with the more sedate performance of **Canada's housing market**, which (outside of **red-hot Alberta**) has seen more modest price gains, but also much less of a price reversal.

**On average, prices in most Canadian cities are still going up, although gains have slowed.**

All this is important not only because the construction of homes and apartments is a big chunk of economic activity, but even more because residential real estate has such powerful indirect impacts on all kinds of other economic activity.

The obvious impacts come right after a home is purchased. The happy new owners typically spend thousands of dollars more on associated products: appliances, furniture, landscaping and the like.

But it doesn't stop there.

The value of a home is the biggest economic asset that most families possess, making its value very influential on their propensity to feel prosperous and spend on other things.



***Real Estate flows in cycles: Investing based on the economic strengths of the city, province and market is key.***

## U.S. Economy Feels Bite Of Housing Bust Cont...

In recent years, the value of the average U.S. home has gone up relentlessly, adding tens of thousands of dollars to the perceived wealth of each home owning household and enabling homebuyers to show a net financial gain each year, even after they subtract the cost of carrying a mortgage.

Now that happy process has slammed into reverse. The longer this lasts and the deeper the price reversal, the greater the danger for the rest of the economy.

There are still optimists who believe that home prices will drift down a little farther, then stabilize. Mortgage rates, after all, haven't shot up all that far, and unemployment is still low.

But others focus on the fact that inventories of unsold homes are now huge, which will put continuing downward pressure on prices. With prices dropping, the incentive for buyers to jump into the market just isn't there. Why go deeply into debt to buy something that will sink in value faster than you can pay down the mortgage?

And if housing prices are dropping, a key support for other kinds of consumer spending evaporates. If your home's value is actually subtracting from your wealth, you have an excellent reason to cut back on other kinds of spending.

## Making Investors Successful One Property At A Time!

If one accepts this logic, which seems pretty solid, the end is nowhere near for the U.S. real-estate recession. The only question left is how deeply into the rest of the economy its growth-sapping effects will spread.

### Boiling It Down:

*It's not accurate to paint the whole U.S. economy and housing decline with one brush. Unbalanced markets will feel the pain of a housing slow down. However, Real Estate is regional; each market area affected reacts differently. There are several RE markets in the U.S. that continue to grow despite the 'overall slowdown'. Likewise in Canada, we have to be careful when comparing housing increases in one province or city to that of another, especially when the underlying fundamentals differ considerably. In Canada, Vancouver and Toronto (condo) prices require far too much of a monthly payment to make sense. The housing affordability index (RBC) for these areas clearly shows that prices are out of whack.*

*On the other hand: Edmonton prices remain in check, despite recent gains. Edmonton remains affordable and continues to offer the greatest opportunity in North America. The U.S. economy is experiencing a slow down, but it's not going to have any major effect on the Alberta market.*

**-Glenn Simon Inc.**



**Todd Millar, GSI.**

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