

# Real Estate Digest

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## Study: Recession Unlikely As Mortgage Markets Begin to Stabilize

**W**hile the “R” word – recession – has been tossed about frequently in economic discussions, a highly regarded quarterly economic forecast maintains that the chances of one are unlikely.

“Better remember a recession is not measured by the frequency with which the newspapers use the ‘R’ word. To have an official recession commencing anytime soon, we would have to experience a rapid rise of the national unemployment rate from a level of 4.6 percent to about six percent by the end of 2008 – a loss of about two million jobs,” said Ed Leamer, director of the University of California, Los Angeles, Anderson Forecast. Leamer authored the study, “Nervous: Why this time is really different and why we will survive the near recession experience.”

Leamer believes employment in major sectors, even vulnerable manufacturing and construction, should hold up. Some econo-

mists had said that home prices would not tumble and foreclosures would not surge without job losses stemming from a recession because that would be unprecedented.

“If we can get through another couple of quarters without rising joblessness, we will have completed the first and hardest part of the housing correction, and the drag that housing is creating for the economy will substantially abate,” Leamer stated.

### Lower rates ahead?

As for more Fed rate cuts, Anderson Forecast senior economist David Schulman said in his own report that he envisions a Fed Funds rate of about 3.5 percent or lower by mid-2008, with the 10-year U.S. Treasury bond trading in the 3.75 percent to 4.5 percent range.

“Should the Fed fail to ease significantly, we believe our ‘no recession’ forecast would be at significant risk. Historically the markets tend to lead the Fed, not

the other way around, and before too long we suspect the Fed will follow.”

The collateral damage associated with the subprime credit crisis is widespread, Schulman states, reaching municipal bond insurance companies and affecting the cost of finance for state and local governments. Faith in credit-rating agencies has been “severely weakened,” he states.

### Risks ahead

The economy isn’t in the clear, however. A key to the Anderson Forecast’s “no recession” forecast depends on resiliency in the overall economy and stock market, and Schulman cautions, “There are more than usual uncertainties around the 2008 forecast than in prior years.”

“For example, before 2008 is over, the markets will have to overcome the anxieties associated with the presidential election and we may be even more concerned about both anti-inflation policy and the potential for a

post-Beijing Olympics hangover in China.”

## MARKETS

### Many Metro Markets Show Some Improvement



The National Association of Realtors is reporting that a significant

majority of metropolitan areas showed rising or stable home prices in the third quarter of last year, a sliver of light in the almost daily dark news about the housing industry.

In the third quarter, 93 out of 150 metropolitan statistical areas monitored by NAR showed increases in median existing single-family home prices from a year ago. It said six metro areas had double-digit gains and 21 had increases of six percent or more. Still, 54 markets reported



price declines.

“This quarterly metro home price report is the most meaningful long-term series available because it looks at all of the available transactions in a given area,” said NAR chief economist Lawrence Yun.

## Home Builders Add Perspective To Home Price Declines



The National Association of Home Builders is attempting to take the edge off a new S&P/Case-Shiller report that shows home prices have dropped an average of 4.4 per-

cent this year in the nation’s 20 largest metro areas. While the builders do not dispute the 4.4 percent decline, NAHB points out there has been an average 50 percent run-up in prices in those same communities over the past five years.

“It’s important to keep things in perspective,” said NAHB President Brian Catalde. “The current housing price correction is most pronounced in the once super-heated markets in California, Nevada, Florida and Arizona. In most other markets, price declines have been pretty modest.”

Among the 20 markets surveyed by S&P/Case-Shiller, four posted home price appreciation rates of more than 80 percent over the past five years, while 11 registered gains of more than 45 percent, he said.

## \$175 million Sale Sets New U.S. Residential Sales Record



The U.S. housing market overall may be tepid, but wealthy homebuyers continue to invest in homes at the very top of the market. Evidence of the strength of the luxury home segment was revealed in late No-

vember with the sale of the Trinchera Ranch in Colorado for a record-setting \$175 million. This sale breaks the U.S. residential sales record of \$103 million set earlier this year in New York’s Hamptons.

Trinchera is the largest ranch in Colorado, and its 171,400 acres contain five residences and a Western-style lodge with 16 bedrooms.

Although the Colorado sale set a U.S. sales record, it fell short of the world record residential purchase, also set this year, with Sheikh Hamad of Qatar’s acquisition of a penthouse condominium in London for £100 million – equivalent to about \$200 million at the time of the sale.

“Although the vast Colorado ranch, the ocean front lot in the Hamptons, and the London penthouse condominium are not apples-to-apples comparisons, they are each indicative of the health of the very top of the world’s luxury home market,” said Laurie Moore-Moore, founder of The Institute for Luxury Home Marketing, an international organization that tracks the luxury home market and trains luxury real estate agents.

## New Orleans Still Waiting for Affordable Housing



The New Orleans City Council has asked Congress to approve the Gulf Coast Housing Recovery Act, which the city feels would help it rebuild the 204,700 homes and 82,000 rental properties destroyed by Hurricane Katrina two years ago.

City officials believe the city is suffering while insurance companies and the federal government try to decide what to do.

“The lack of sufficient affordable housing is hampering the recovery of the hospitality, healthcare, and construction industries, which are vital to economy of the New Orleans area,” the Council said in a resolution.

U.S. Senate Bill 1668 would allow demolition of uninhabitable public housing units and assure their replacement with affordable housing. It also would put former tenants at the front of the line to move into those units, provided they could afford them.

## Farmland Prices Up 13 Percent



The Department of Agriculture is reporting the price of cropland has risen by an average of 13 percent in the past year, primarily driven by investors who are seeing ever-higher prices for wheat, soybean and ethanol-producing corn.

The USDA said the average price of an acre of farmland this year is \$2,700, compared to \$2,390 last year. The cost of farmland in Iowa – a major corn-ethanol producer – increased 17.4 percent; Wisconsin, 17.3 percent; Missouri, 17.2 percent; Illinois, 15.8 percent; Michigan, 15.0 percent; Minnesota, 14.7 percent; and Ohio, 10.7 percent. The USDA said developers buying up tracts for land for housing were also pushing up the price.

### TRENDS

## Housing Slump Prods Employers To Buy Some Employees’ Houses



Large companies have long reimbursed high-level employees for relocation costs, such as household shipping and moving expenses, real-estate brokers’ fees and house-hunting trips. But now that

home prices are falling in many parts of the country – even as business expands – some companies are adjusting their relocation policies to provide more help to employees in troubled housing situations, including absorbing losses on home sales.

“Companies have had to change their programs and policies and step it up to keep their employees mobile,” says Cris Collie, chief executive of the Employee Relocation Council, an industry group. Mr. Collie’s group estimates that it cost about \$62,000 on average to move an employee this year. Of that amount, \$15,000 went for so-called loss on sale assistance, where companies make up the difference when em-



## LAW

### New Jersey, N.C. Counties Sour on Tax on Home Sellers



Voters in 16 North Carolina counties have turned down proposals to tax home sellers on the proceeds from their properties, a victory for real estate agents and builders who fought the issue. The lopsided victories also may thwart plans in other counties to bring similar proposals to the ballot in the near future.

County officials had proposed the transfer taxes as a way to fund growth in their communities – where the increases in new residents are straining schools, roads and sewer systems. The new tax would have offset the cost of those services.

Opponents said, however, property taxes already were too high and the transfer tax would hit home sellers when property prices already are deteriorating.

In New Jersey, an effort headed by the state Association of Realtors is lobbying to kill a proposal that would allow individual municipalities to levee a 0.1 percent tax on the selling price of a home. The state government maintains the tax – which would amount to \$250 on the sale of a \$250,000 home – will help desperate cities improve their treasuries. The Realtor association, however, argues the tax would be another hit on desperate homeowners trying to get out from under their mortgages.

## AGENTS' CORNER

### The Ins and Outs of Forming an Agent Team



With the daily demands of the real estate industry steadily increasing, more and more agents are creating teams to help alleviate the constant time constraints that come with working in the industry.

employees sell their homes at a loss. Last year, loss-on-sale assistance averaged about \$9,000.

Typically, employees who are transferring to a new location are encouraged to sell their home themselves, and often within a period of about 90 days. But if the home doesn't sell, some companies will step in and offer some kind of bailout, including buying the home from the employee for an appraised price and even reimbursing for a loss if the home's value has shrunk.

The most generous companies are buying employees' homes at an appraised value, often determined by averaging two or three appraisals from real-estate professionals and reimbursing the employee the difference – or, more often, a portion of it – if the price is lower than what the employee originally paid. The company will then resell the house – often at a loss.

### St. Louis MLS Latest to Go Green



The Mid America Regional Information System has joined MLSs in Oregon and Washington in adding so-called "green" categories to its searchable features. Members will now be able search

for Energy Star appliances, low-flow toilets and things like tankless water heaters. They also will be able to search for homes certified by groups such as the U.S. Green Building Council. The ability to search for environment-friendly homes is expected to have the most impact in the new homes section of the market.

### Realtor.com Creates Site for iPhone users

Realtor.com has announced the rollout of a Web site specifically for Apple iPhone users.

The site can be found at <http://iphone.realtor.com>. A company spokesman said the site was created to capitalize on the popularity of iPhones by giving users access to listings on Realtor.com via their own special portal.



About 3.4 million iPhones have been purchased this year and industry experts believe some 45 million will be sold by the end of 2009.

### More Real Estate Ad Dollars Being Spent Online

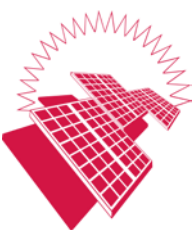


The newspaper research firm Borrell Associates believes real estate advertising in print will fall from \$4.8 billion annually in 2007 to \$3.3 billion by 2012, but online real estate advertising will increase from \$2.6 billion this year to \$3.5 billion five years from now.

Borrell says in the last two years real estate agents have been advertising more in traditional media, such as newspapers. It said, however, as fewer overall commission dollars are being earned, agents are quickly moving to less-expensive online advertising to make their services known.

Gross real estate advertising in all media was down three percent in 2007, but of that, Internet advertising was up 25 percent.

### Consumers Willing To Pay More for Eco-Friendly Home



A survey of homebuyers indicates up to 73 percent would be willing to pay more for a home if it included environmentally friendly features.

According to TD Canada Trust, 67 percent of buyers want energy conservation features so they can save money over the long-term ownership of the home, and 59 percent said they believed the features would improve the resale value of the property. About half of those surveyed said they were interested in reducing the impact of the home on the environment.

The average consumer said they would be willing to spend 10 percent more to get an environmentally sensitive home.

Before an agent can even begin to start forming a team, he or she needs to have a solid foundation upon which to build, said agent coach, Ralph R. Roberts.

"This foundation is created by systems, which include means of organization, ways of compiling and keeping track of information and bringing in new technology that will help your company thrive. Only once your systems are in place should you think about hiring your first team member," said Roberts.

And while there is no 'T' in team, the first step to building a successful team starts by taking a good look at yourself as an individual. Knowing your own strengths and weaknesses is crucial when it comes to creating a team.

"You have to figure out what you are good at and then find someone who is the opposite to that and pair with them," said Roberts. "Every team member has their unique strengths, yet each person works together to create a dynamic personality as a whole."

Keeping your team happy is a sure way to drive your team to success, said Roberts. This is where goal setting comes into play. Goals aren't necessarily about ways to im-

prove your company, but instead about how to keep your team members happy and part of the team. Ultimately, both of these things will work together to make your team successful.

"Your team is your most important customer," said Roberts.

## Just Who Is the Average FSBO Seller?



A For-Sale-By-Owner Web site has release a study of the people who visit FSBO sites, finding they are upscale, have upper incomes, and are put off by paying real estate agent commissions.

The site, Fizeber.com, said FSBO Web pages tend to draw more women than men and more Caucasians than minorities, and visitors typically have incomes in excess of \$100,000. Fizeber.com said those most likely to attempt to sell their homes themselves watch do-it-yourself television shows and shop at Home Depot. The FSBO Web site

also said 78 percent of those visiting the sites believe real estate agent commissions are too high.



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