

# Real Estate Digest

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## Employers Offering Telecommuting to Cut Real Estate Costs

**A** growing number of organizations, large and small, are offering telecommuting as an answer to pricey commercial real estate, particularly in places like New York and San Francisco. The trend is affecting home-buying patterns, according to an article in *The Wall Street Journal*.

"A couple of our clients right now have a stated business strategy to decrease office space," says Janice Hand, a senior consultant at Hewitt Associates. "And to do that, they are discussing giving certain employees the ability to work off site."

Traditionally, employers have offered telecommuting as a perk to retain key talent, Hand says. But during the past several months, companies are citing it as a way to reduce real estate costs.

### Home office premium

The news is good for homeowners, and particularly for those in outlying areas, who own homes that are now more attractive to corporate workers no longer worrying about long commutes.

The trend also means more home buyers will be looking for spaces that can double as a home office, such as a spare bedroom or converted garage. Those previously looking for a three-bedroom home may now seek a four-bedroom home or a three-car garage instead.

"Since Thanksgiving, we have heard more companies telling us that they are implementing telecommuting programs to save all kinds of costs," says Charlie Grantham, executive producer of the Work Design Collaborative, a Prescott, Arizona-based consortium that focuses on

researching and defining the future of work. "Real estate is one of their biggest fixed costs, and they want to make it into a variable cost as much as they can."

### Big savings

Companies can reduce operating costs by 40 percent per person by letting them telecommute, Grantham says.

Sun Microsystems, which has allowed employees to telecommute since 2000, has seen huge cost savings, says Carolyn Rohrer, a spokeswoman for the company.

The San Francisco-based technology company saved \$67.8 million in real estate costs in fiscal 2006, she says. More than 18,000 Sun employees participate in the program.

One issue many companies face is offering telecommuting on a case-by-case basis and not

as a blanket policy, observers say. Only 27 percent of large employers in a recent Hewitt survey said they have a formal written policy around flexible work arrangements.

Companies offered telecommuting to a select number of employees as a perk and agreed to pay for their home office costs. However, they also are paying for the costs of those people having a desk with the company, Kelly says.

### LAW

## IRS Boosts Business Miles Deduction



Looking for a silver lining to increased gasoline

prices? Responding to higher prices at the gas pump, the Internal Revenue Service has bumped up the standard mileage rate deduction for business driving and moving for the second half of 2008.

Beginning July 1, the business-driving rate went up from 50.5 cents per mile to 58.5 cents a mile. The standard rate for deducting miles driven also moves from 19 cents per mile



to 27 cents per mile.

For those involved in driving for charitable activities, however, the rate remains the same at 14 cents per mile.

## Mississippi Adds Meth Labs to Disclosure Form



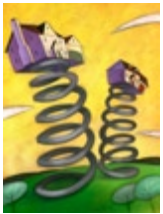
Mississippi has become the latest state to require home sellers to disclose whether their property has ever been used as a methamphetamine lab.

The requirement was added to Mississippi's property disclosure statement as of July in response to consumer concerns about the toxic remnants of meth labs in homes that have been seized.

Some real estate agents opposed the disclosure, saying meth labs already are included in the disclosure form under "hazardous and toxic waste" material. The Mississippi Real Estate Commission said, however, it preferred a blunt and specific disclosure dealing with meth labs.

### MARKETS

## Good News: Home Inventory Begins To Fall



The supply of homes available for sale in 18 major metropolitan areas in June was down 2.4 percent from a year earlier, according to figures compiled by Zip-Realty Inc., a real estate

brokerage firm based in Emeryville, Calif. The data cover listings of single-family homes, condominiums and town houses on local multiple-listing services in those areas. It was the first decline for the 18 markets since Zip began collecting the inventory data in mid-2006.

Though the supply of homes listed for sale has leveled off after soaring in recent years, it remains plentiful. Nationwide, about 4.5 million previously occupied

homes were listed for sale at the end of May, according to the National Association of Realtors. That is enough to last nearly 11 months at the current sales rate, the trade group says. The market is considered roughly in balance between supply and demand when the inventory is enough to last around six months.

## Green Homes Selling Faster, For More Money



The Northwest Multiple Listing Service, marking the one-year anniversary of its decision to add a listing category for energy-efficient homes, announced that environ-

mentally certified properties sell quicker and generally for more money.

Its research found that ECert homes sold in "18 percent less time" and at "28 to 37 percent higher value per square foot."

## Existing Home Sales Stage Modest Increase



NAR reports existing home sales rose two percent in May to an annual sales pace of 4.99 million units, compared to a pace of 4.89 million in April. Sales compared to May 2007 were down by 16 percent.

NAR also reported the median sales price fell to \$203,600 last month from \$222,700 in May of 2007. Existing home sales increased in three of four regions, led by a 5.5 percent gain in the Midwest. Purchases increased 4.6 percent in the Northeast and two percent in the West. Sales dropped 0.5 percent in the South. Sales inventory also fell from 4.55 million in April to 4.49 million in May.

New homes didn't fare as well. Sales of new homes in May declined 2.5 percent from April's sales figures, further worrying homebuilders who had hoped to see at least

some gains during the traditional home-buying season. At the current pace, only 512,000 new homes will be sold this year, and there already are 453,000 units on the market.

Builders would like Congress to pass a temporary tax credit for homebuyers which, they believe, would bring out more families who are uncertain about whether to buy.

## California Sales Up, Prices Down



Home sales in California, the nation's largest real estate market, were up 18.1 percent in May compared to a year ago, but the year-over-year

median home price was down 35.3 percent, the California Association of Realtors reports.

CAR said sales exceeded an annual pace of 400,000 last month for the first time since early 2007 – although much of that activity was due to bargain prices posted on homes in many parts of the state.

The median price of an existing, single-family detached home in California during May 2008 was \$384,840, compared to a median of \$594,530 in May 2007.

## Northeast Will Likely Lead Home Sales Recovery



The normally pessimistic National Association of Home Builders is forecasting that while most of the country won't see significant housing recovery until

next year, some markets may already be starting to turn.

The NAHB believes the Northeast will be the first to turn up in sales and pricing. "While some markets experienced rapid price appreciation over the decade, the largest markets – New York, Boston and Phila-



delphia – avoided the extent of over-building that accompanied the price run-ups in other markets. The absence of large unsold inventories will help to mitigate the downward pressure on prices that will drag out the recovery in (other) markets.”

The homebuilders say the northern tier of states should see some recovery by the fourth quarter, followed by the south. Florida and the West, however, are expected to follow suit in 2009.

## TRENDS

### Gas Prices Driving Americans Back to Cities



Gas might not be any cheaper in the cities, but you need less of it to commute. A survey of Coldwell Banker sales associates in urban markets indicates they are seeing interest in urban living increasing

because of the high cost of gasoline.

According to the franchise, 96 percent of those surveyed said rising gas prices were a concern to their clients and 78 percent said higher fuel costs were increasing client desires to consider living in an urban setting.

The survey also said:

- \* 81 percent of agents said clients wanted to minimize their commute.
- \* 54 percent said access to public transportation was appealing.
- \* 75 percent agree that the ability to walk to more places was a positive.

### Can You Guess Agents' Favorite Words?



The real estate search engine [Roost.com](http://Roost.com) has released a study of the most commonly used terms in real estate listings. They found the word “new” is the most popular ad-

jective in real estate ads and the word “nice” is predominantly used in homes priced less than \$250,000.

The company surveyed 250,000 listings in nine major U.S. cities. It found the word “gourmet” is used almost exclusively in homes carrying a \$1 million or more price.

“Beautiful,” Roost said, is the most commonly used subjective term, and Miami agents used the word “beautiful” more than agents in any other city.

The top “quirky” adjectives were: “Wow,” “cool,” “savvy,” “fussy” and “paradise.”

## MORTGAGES

### Foreclosures Appear To be Slowing



RealtyTrac is out again with foreclosure numbers that give a bleak picture of the housing industry, but a look deeper into the statistics suggests the worst may

be over. The overall numbers show a 7 percent increase in foreclosure filings from April and a 48 percent increase over May 2007. Most of those numbers, however, come from the end of the foreclosure process.

The more positive signs come at the front of the process, where the number of new properties going into default has slowed to a trickle – only one percent above April’s filings – and the number of homes going to auction actually declined three percent from April to May.

A spokesman for RealtyTrac said that while the bulge in foreclosures seems to be moving toward completion, he warned it was statistically too early to tell if the market was turning up.

Homes abandoned after foreclosures, however, are taking a hit on neighborhood property values. The nonprofit community development group Enterprise Community Partners believes American homeowners who are not in foreclosure may still lose more than \$233 billion in equity just by be-

ing near a home that is in default.

While millions of homes already have been abandoned and another 2.2 million are expected to be foreclosed on in the next two years, Enterprise says the homes near those properties each face home value losses of about \$5,100 each.

The group says the decline will be caused by deterioration of property, such as failure to maintain yards, pick up trash and keep out vandals that plague empty homes.

### “Owner Financing” Back with a Vengeance



Subprime loans have vanished; traditional lenders are tightening credit. Not surprisingly, many more “owner will carry” signs are popping up all around the country.

Commonly referred to as “OWC,” the seller will hold the note, and therefore the buyer can bypass the usual institutional scrutiny. This option, of course, is riskier for home sellers and only works for owners who own their home outright or can pay off the remaining mortgage amount before sale. But it’s a strategy for selling that may mean the difference between a sale or not.

In the standard seller carry back world, a 10 percent down payment is considered minimum, with 20 percent or more being preferable.

## AGENTS' CORNER

### A New Approach to Classifieds



Most agents have used the classified ad section of their local newspaper in the same way for the last century. Their mindset is stuck in the paradigm that says the classified “Houses for Sale” section is to be used to promote each property they have listed.

While these ads do a good job of pacifying sellers, they do not do a good job of actually selling properties, according to real estate coach Craig Proctor.

“An ad designed to sell a specific property has a very narrow appeal, and thus is flawed because very few people will call you on this and the few who do call will eliminate the property as being either too big or too small, in the wrong area, etc.,” says Proctor.

There is a better way. It’s called “service classified” ad. With service classified ads, instead of advertising a specific property listing, you offer property hotlists (e.g. zero-down properties, distress sales, fixer-uppers, etc.) and benefit-driven, non-threatening information (e.g. “Costly Home Inspection Pitfalls,” “10 Tips to Selling Your Home Without an Agent,” etc.).

These ads offer information that has very broad appeal to a very wide range of prospects. When prospects call you on these ads (and dozens of them will, each and every day), there’s no specific property for them to disqualify. Instead, they raise their hands and because the offer is broad, you’re able

to help each and every one of them.

“From experience, a high percentage of these will go on to become your contractual clients. You will not only end up with more buyers, but your listings will also sell more quickly because you have a greater pool of buyers looking at them,” says Proctor.

Here’s an example of a service classified ad:

“FIXER UPPER - Bargains, these homes need work, lowest prices. Call for a free computerized list with pictures. [www.DomainName.com](http://www.DomainName.com) or Free recorded message 1-800-000-0000 ID#1048. Your Company Name.”

As a bonus, you will never have to rewrite these ads the way you have to rewrite your traditional property ads every time you get a new listing. For example, you can run the fixer upper ad (or any of the other ads) every day, regardless of whether you presently have one listed that fits this description, because you know you can always find one, even if it’s listed with another agent on MLS. (Remember, you’re not saying you “have” them, only that you “know” of them.)



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