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The Judicial Title Insurance Agency LLC
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REAL ESTATE DIGEST

PRACTICAL REPORTS ON TAXES, FINANCING, MARKETS, LAW AND TECHNOLOGY

As Market Moderates, Average Time Needed to Sell a Home Increases

On average, the length of time required from listing to contract has increased significantly in the U.S. in the past six months, according to a home sales activity survey by HouseHunt.

Seventy-five percent of respondents said it's now taking more than 30 days. Of that figure, 30 percent said it's taking more than 60 days. Three months ago, 52 percent of survey respondents said the average time on the market required for a home to sell was more than 30 days. Six months ago, only 35 percent said it was taking more than 30 days as buyer frenzy continued unabated.

Home sales prices remain firm

Despite the longer listing times, sellers are still getting their prices.

Currently, 82 percent say they are getting 95 percent or more of asking prices. This compares with 80 percent in the third quarter and 90 percent in the second quarter of 2005.

Multiple offers, however, are down. Currently, only 50 percent of respondents report multiple offers. This is down from 70 percent in the second and third quarters of 2005.

The figures indicate that a more balanced market between buyer and seller demand has emerged in many parts of the country, according to the report. This compares with a 61-39 percent buyer ratio in most of 2005.

"Our latest random survey findings are consistent with both national housing sales data and forecasts of top industry economists," said Michael Bearden, president and CEO of HouseHunt, Inc.

"Our strong economy and

consumer demand made record home sales possible in 2005 despite destructive hurricanes, rising mortgage interest rates and higher energy costs. We're optimistic that a sustainable, more balanced housing market will be the cornerstone of the U.S. economy in 2006."

First-time buyers

Currently 35 percent of buyers are first-time buyers. This percentage has stayed about the same for the last six to nine months despite price and appreciation spikes on the East and West coasts and in Florida, Phoenix and Las Vegas. Greatest first-time buyer activity continues to be in the South and Midwest. Repeat and move-up buyer activity remains strong, though investor and second-home demand has slowed.

The market shift is increasing the national inventory of unsold homes. Sixty-five percent of respondents said the trend is up in local markets. Fifty-five percent report a good supply in all price ranges. Only 38 percent reported a good supply six months ago.

MORTGAGES

40-Year Home Loan Soaring in Popularity



With little improvement expected next year in housing affordability, mortgage bankers are predicting a surge in 40-year mortgages, which are becoming increasingly popular because of their lower monthly payments.

"It is alarming that the housing affordability crisis will continue, making it difficult for first-time buyers to qualify for adequate financing," said John Marcell, president of the California Association of Mortgage Brokers.

A loan of this duration will generally lower the monthly payment by several hundred dollars, depending on the home price, said Marcell.

"It's just another way for people to try to get a home in today's economy"

Other popular mortgage products include reverse mortgages, 100 percent financing and adjustable loans, with low starting rates or beginning interest rates that can fluctuate.

More than 70 percent of those surveyed believe that the creative loans might be a solution for some borrowers but risky for others. The association warns buyers to make sure they understand all of the terms and conditions of a loan before signing any documents.

Fannie, Freddie Meet Housing Goals



HUD says both Fannie Mae and Freddie Mac met their affordable housing goals last year. HUD requires the two

government-sponsored enterprises to dedicate a portion of the loans they buy every year to lower-income borrowers. For 2005, 50 percent of the units financed by each company were supposed to help low- and moder-

ate-income borrowers – 20 percent for very low-income borrowers and 31 percent for minorities.

MARKETS

Condo Market to Be Strong In 2006, Experts Say



The desire to get into the real estate market has pushed up demand for condominiums and brought prices up as well. Experts forecast the same pressures will keep buyers willing to share land to have homes of their own.

Demand for condominiums is not likely to let up any time soon, said economist Bill Watkins, director of the University of California, Santa Barbara, Economic Forecast Project, noting there is a limited supply of housing and especially condominiums.

"If we assume that home prices stay as high as they are, there will still be working people that want to live here," he said. "They will take what they can buy locally."

"Condos are still a great starting place," Watkins said.

The appreciation rates on condominiums have been very strong the past couple of years in many markets, but they are likely to slow down to single-digit percentage increases, said Realtor Gary Klein of Troop Realty in Ventura.

He advises a buyer to have at least a five-year plan to stay in a home to ride out any bumps in the market but said the demand for affordable homes will likely keep the prices for condos up.

Carolinas Foreclosure Rate Continues Upward Climb



Foreclosure rates in both Carolinas continued to climb in 2005 despite solid economic

conditions and historically low interest rates, which also have begun to move higher.

Christian Werner, CEO of New World Mortgage, says a lack of restraint among lenders and lack of discipline among mortgagees is causing the problem.

"We've been seeing double digit month-to-month increases in foreclosures in North and South Carolina virtually all year. In November, homes in some stage of foreclosure increased in NC by 23 percent and in SC by 75 percent from the previous month," says Werner.

TRENDS

Most Buyers Prefer A New Home



House & Garden magazine's January issue includes a homeowner poll showing that 70 percent of its readers would prefer to live in a newly built home, rather than an existing home.

Other poll results showed that:

- * 38 percent of home buyers would like a media room or home theater.
- * 17 percent would like a home spa.
- * 10 percent would like a wine cellar.
- * 10 percent would like a guest suite.
- * 9 percent would like a personal dressing room.

Asked about décor, 53 percent said how the living room looked was most important, followed by the kitchen at 19 percent. Décor in the children's rooms mattered least.

Wealthy Americans Sold on Real Estate



Amid signs that the runaway real estate market is slowing down, the majority of wealthy Americans remain optimistic that their homes will continue to appreciate in value, according to survey findings released by The PNC Financial Services Group, Inc.

Sixty-five percent of those surveyed said they expect to see double-digit increases in the value of their primary homes over the next five years, with nearly one-third (31 percent) anticipating an increase of 20 percent or more.

"Our findings indicate that many among the wealthy will not believe there is a real estate slowdown until they see it reflected in their property values, especially in regions of the country where prices have skyrocketed during the past five years," said Nicholas Buss, Ph.D., senior vice president and PNC's real estate economist.

"As an investment, real estate has been an increasingly dominant asset class over the past five years. The party may be over for those who have been 'flipping' houses and using real estate to get rich quick. But, in general, established wealthy Americans have not been speculative buyers and they remain solidly confident in the long-term value of their real estate holdings," Buss added.

Fewer than one in 10 (seven percent) of wealthy Americans overall expect any decline in the value of their primary homes over the next five years. The PNC survey found significant regional differences in real estate outlook. Floridians are the most bullish while New Yorkers and New Englanders are the most bearish. Californians are closer to national norms in their outlook.

More detailed findings include:

- * New Englanders had the most conservative expectations for ongoing rising home values, with one in 10 respondents expecting a 20 percent or more increase in home prices over the next five years and 18 percent expecting a decline. Nearly twice as many New Yorkers (19 percent) expect an increase of 20 percent or more, and an almost equal number (20 percent) expect a decline.
- * California respondents had higher expectations, with approximately one-third (37 percent) expecting a 20 percent or more increase and only eight percent expecting any decline.

- * Florida: in a state where property values have soared, half of the respondents expect the value of their primary residence to increase by more than 20 percent over the next five years, making them almost twice as bullish on real estate as respondents in other states (28 percent outside of Florida expect a 20 percent or more increase).

Echo Boomers to Drive up Home Prices



Home prices will continue to go up for the next several years as "Generation Y" moves into its home-buying years, says Pamela O'Connor, CEO of Leading Companies of World.

"Echo boomers, also known as Generation Y, will drive home sales into higher price points over the next five years," she said. "There are nearly 80 million of this new generation and they're already having a significant impact on the economy."

So-called Echo boomers are the offspring of the Baby Boomer generation that is now moving into its 60s. Echo boomers were born between 1982 and 1995, make up a third of the population and, according to O'Connor, "already spend \$170 billion a year of their own and their parents' money."

Study: Number of Families with "Worst Case Housing Needs" Unchanged



HUD is reporting that the number of low-income households paying excessive rent or living in substandard conditions has essentially remained unchanged from the mid-1990s.

In the report "Affordable Housing Needs," researchers said that in 2003 a total of 5.18 million low-income

households experienced critical housing needs compared to 5.20 million households in 1995.

Households with "worst case needs" are defined as unassisted renters with very low incomes who pay more than half of their income for housing or live in severely substandard conditions. The proportion of American families that have these worst case needs is 4.89 percent.

LAW

Illegal Aliens Barred From State-Backed Mortgages



A new law in Wisconsin forbids illegal aliens from obtaining state-backed mortgages to buy homes.

Proponents of the legislation said they want money from the Housing and Economic Development Authority (HEDA) to go only to legal residents of the state. Opponents said the law would make it more difficult for non-resident workers to find affordable housing.

Under the new law, applicants to the HEDA must have Social Security numbers, rather than the tax identification numbers held by many undocumented workers.

AGENTS' CORNER

FSBOs Down in 2005



The 2005 Profile of Home Buyers and Sellers, released in January by the National Association of Realtors (NAR), found that the percentage of FSBO (for sale by owner) transactions dropped from 14 percent to 13 percent between 2004 and 2005. That's down considerably from the record of 20 percent, reached in 1987. NAR started tracking FSBOs in 1981.

The survey also found that more than one-third (39 percent) of FSBO transactions occur between parties

that knew each other before the transaction. In essence, therefore, many of these properties are never really available on the open market.

Sellers Using Agents Get More for Their Houses



The NAR 2005 Profile of Home Buyers and Sellers (see preceding article) also proved that agents add value for their

clients. Sellers got 16 percent more for their properties when an agent was involved than with a FSBO. Home sales involving agents had a median price of \$230,000 vs. \$198,200 for FSBOs. The survey, based on more than 7,800 responses to a questionnaire mailed to a large sample of consumers nationwide, found no significant difference between the types of homes sold.

New Site Offers Agents Help with Asian, Hispanic Communities



Brokers and agents who need to sharpen their skills to work with Hispanic and Asian home buyers may want to visit

new Web sites developed to help professionals measure their sensitivity to those growing markets.

The first site, found at www.esharp.com/clients/insight/index.html helps agents understand the communication and cultural barriers that often cause problems between Hispanic consumers and non-Hispanic agents. It also goes over what's necessary to maintain a successful marketing strategy.

Freddie Mac's new report *Homeward Bound: An In-depth Look at Asian Homebuyers in the*

United States www.freddiemac.com/corporate/reports looks at the expectations of first-time homebuyers of Asian descent.

The report, which compiles the findings of 30 focus groups, uncovered certain cultural norms, beliefs and behaviors associated with Asians that affect their feelings of readiness to purchase a home. These factors may delay by years Asian consumers' timeline for buying a home and may discourage eligible low- to moderate-income buyers from entering the market.

Focus group participants described their challenges such as being unfamiliar with the U.S. financial system and for some immigrants, not speaking the language.

Online Forum for Agents

Agents looking for a place to chat with other agents can go to www.agentsonline.net. The site hosts several forums for agents to exchange sales tips, information and referrals. Anyone can browse the site, but you must register to post. Registration is free.



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