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REAL ESTATE DIGEST

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

Changing Marriage Trends, Demographics, Turning Single Women into a Real Estate Force

In a trend that is changing the landscape of the real estate market, single women are becoming homeowners at a rate never seen before. It's a trend that is reversing the traditional pattern in which women wait to get married before taking the plunge into the housing market, according to Vera Gibbons, special correspondent for *Kiplinger's Personal Finance* magazine as reported by CBS Broadcasting.

"Last year 1.5 million homes were sold to single women. That's nearly twice as many homes as were sold to single men," Gibbons said. "And there's no sign of this trend slowing down. Fannie Mae is estimating by 2010 as many as 31 million single women will be homeowners. That accounts for 28 percent of all U.S. households."

Financial clout

Why has this become a growing trend? Gibbons says there are a few factors at work. For one, single women appear to be more inclined to "nest" than single men. Another factor is the social change that comes from women gaining financial clout in the workforce.

"Women are much more independent today," Gibbons says. "We are marrying later, that is, if we choose to marry at all. We are much less reliant on the man to be the provider because we have our own money, more money than ever because we are college educated. We are in the work force."

In addition to the financial benefits of owning a home, Gibbons also speaks of the personal satisfaction.

"For single women, in particular,

it provides this huge sense of accomplishment, personal security, financial security, it's a big thing. But it's a good thing," she said.

Before taking the plunge, however, Gibbons says women should figure out if it makes financial sense. "It's not right for everyone, particularly if buyers plan to be in the new home for a couple of years. By the time you add up the closing costs, three to six percent of the purchase price, decorating costs, moving costs, it's going to take a minimum of three years to recoup these costs."

Condo appeal

Real estate developers are catching on to the trend by building homes with this particular buyer in mind.

"Many single women find the transition from apartment to townhouse or condo ideal because you don't have to shovel the snow or mow the lawn. You've got the amenities single women like, like the gym, the pool, and the game room. In fact, a lot of builders are building with the single woman in mind, adding on the extra security, the energy efficient

appliances, the pretty courtyards," said Gibbons.

MARKETS

American Dream Is Fading in Florida



Years of skyrocketing real estate prices and low-paying jobs have placed the American dream of home ownership out of reach for much of South Florida, the first-ever comprehensive study of the area's housing market concludes.

The study, commissioned by the Broward Housing Partnership, warns that workers will leave, companies will have trouble filling jobs and new businesses won't come unless drastic action is taken soon.

The study was conducted over the past year by researchers at Florida International University's Metropolitan Center. They found that most households have been priced out of the market because of the unprecedented growth in real estate prices over the past three years.

In Broward County, for example, households would need to earn \$91,000 to afford the current median price of \$361,000 for a single-family home. The median sales price of a condo is \$193,000, but roughly half the households don't earn the \$50,000 a year needed to buy such a place.

Chicago Named Tops For Corporate Relocations



Chicago reigns as "Top Metro" for 2005 in *Site Selection* magazine's annual business investment survey of American cities. The distinction recognizes metropolitan Chicago as 2005's economic development leader, with \$6.5 billion of corporate capital invested in 389 projects.

Chicago has topped the worldwide

economic development publication's list for four out the past five years. "A resurgence of corporate capital flowing back into Chicago has made the Second City No. 1 again," said the Atlanta-based *Site Selection's* awards story.

"High-end financial, IT, creative and strategic jobs are strong and growing in numbers here," said Paul O'Connor, executive director of World Business Chicago. "Companies that abandoned the city 30 years ago are coming back and revitalizing and rebuilding the city and its neighborhoods, bringing top talent back into the city and, in turn, bringing more companies back."

"The next thing we are looking for is the next wave of foreign investment as China puts more money into the U.S.," O'Connor said. "We have to convince the Chinese that Chicago is a great place to do business."

Chicago, with 389 projects, unseated Dallas-Fort Worth, which held the title of top destination for corporate America in 2004, by 80 projects and nearly tripled New York's total of 102 projects in 2005.

For the complete list of "Top Metros" or more information on the survey, visit www.siteselection.com.

Indianapolis Most Affordable, L.A. Least



For the second consecutive year, the National Association of Home Builders has named Indianapolis as the nation's most affordable metropolitan area.

On a national scale, the Builder's latest index showed that 41 percent of new and existing homes sold in the last quarter of 2005 were affordable to families earning the national median income.

In Indianapolis, however, 88.7 percent of new and existing homes that were sold were affordable to households earning the area's median income of \$64,000. The median sales price was \$120,000.

The Los Angeles-Long Beach-Glendale area was the least affordable, with just 2.3 percent of homes sold being affordable to families earning the median income of \$54,500. The median priced home was an even \$500,000.

Feds to Crack Down On Katrina Housing Discrimination



Attorney General Alberto R. Gonzales has announced a new assault on housing discrimination, with increased testing and public awareness efforts. Under "Operation Home Sweet Home," the Justice Department will concentrate testing for housing discrimination in areas recovering from the effects of Hurricane Katrina, in areas where Katrina victims have been relocated, and areas, based on federal data, that have experienced a significant volume of bias-related crimes such as cross burnings or assaults on minorities.

Two-Bedroom House, Dog Included



An unusual home-sale contract in Missouri provided that the seller's dog, Rocky, would remain at the property and also granted visitation rights. The Associated Press reported that the seller, 93, and his wife, 88, moved into a retirement home that didn't allow dogs.

The buyers, represented by real estate agent Greg Lincoln, agreed to take care of the dog, keep a chain link fence in place, and grant visitation rights to Rocky, a beagle mix.

"In every offer, there's always something to be negotiated," Lincoln said in the article.

MORTGAGES

Mortgage Interest Deduction May be Safe



President Bush edged toward saying there would be no change in the mortgage interest deduction, regardless of how tax laws are changed in the next few years.

At a public forum this spring in Tampa, a home builder specifically asked the president if his administration would eliminate the cherished deduction.

Bush responded, "I don't think you have to worry about the mortgage deduction not being a part of the income-tax law."

Last year the president's task force tax reform suggested getting rid of the mortgage deduction in favor of a tax credit for some home owners.

Mortgage Options Grow



Home mortgage lenders may soon be pushing 40-year loans and possibly 50-year loans, now

that the Treasury Department has resumed sales of 30-year bonds.

Lenders previously relied on the government's ten-year note for mortgage rate guidance, but with 30-year bonds back on the market, lenders now have a clearer idea of what to charge home buyers for a 40-year mortgage.

Douglas Duncan, chief economist at the Mortgage Bankers Association, said the longer-term mortgages will help with affordability by lowering monthly payments. While payments are lower, longer-term loans carry higher interest rates than shorter-term loans.

Forty-year mortgages have been available for the past 20 years, said Keith Gumbinger of HSH Associates, but have not been popular since the

1980s, when home prices were high. The recent rise in home prices is bringing them back; however, they are not expected to account for more than a fraction of a percent of all loans processed by bankers.

E-Loan Cofounder Starts New Internet Lending Site



Chris Larsen, co-founder of Pleasanton, Calif.-based E-Loan, which was bought by Puerto Rican bank Popular last year for \$300

million, has launched a new online loan venture. Prosper.com is a kind of eBay for loans, an online marketplace where lenders bid to provide loans to borrowers, according to reports.

Prosper.com's proposition is that everyone involved reaps the rewards of lower costs; borrowers get better interest rates than they'd pay on credit cards or bank loans, and lenders earn more interest than they would from money-market funds or savings accounts, observers say.

Others say hidden fees and impersonal service make such services unattractive.

TRENDS

New Home Contract Cancellations Spook Industry



Economists at the National Association of Home Builders say it takes six months to identify a trend, but new home sales are definitely slow-

ing down. The question is, will the pullback be temporary?

The Census Bureau reported that new homes sold at an annual rate of 1.23 million homes in January, down from 1.3 million sold in December. That's less than Wall Street was expecting.

But is it the calm before the storm? Home builders are reporting an increasing number of cancelled new home orders. A survey by The National Association of Home Builders said that one in five members are reporting more cancellations than six months ago, and four percent of home builders surveyed said the increase in cancellations has been significant.

Typically, new home cancellations can be explained by job loss. If job growth slows, or people feel in jeopardy of losing their jobs, they will tend to back away from high-ticket purchases such as homes, cars and appliances.

But the home builders found that only 15 percent of homebuyers canceling their contracts cited job losses as the cause. Forty-five percent of home buyers said their cancellation was due to an inability to sell their existing home. One-third said they were not able to qualify for financing due to rising mortgage rates.

New home builders are quick to slow down building new homes in order to let standing inventory get absorbed by the marketplace, so absorption should be fairly quick. If home cancellations continue and new orders don't pick up again, then home builders will have reason to worry.

On the other hand, if the slowdown is only temporary, another housing boom could be triggered, particularly if there is nowhere else investors prefer to put their money.

Home Ownership Rate Flattens



The *Wall Street Journal* reported that its analysis of Census data suggests home ownership

in America is leveling off at about 69 percent. According to the newspaper, 69 percent of Americans owned their own home in the fourth quarter of 2005, slightly lower than the 69.2 percent rate in the fourth quarter of 2004.

The newspaper said it was the first time since 1994 that the rate has not increased from the previous year.

Sales of Million-Dollar Homes Still Rising



There may be a housing slowdown but people are still shelling out a million bucks or more

for home sweet home. Coldwell Banker says final totals show the company sold \$55.9 billion worth of homes valued in the million dollar-plus range last year, a 24 percent increase over the \$45.2 billion sold in 2004.

The company said the average sale in the seven-figure category was \$1.79 million. According to the company, 55 percent of all million-dollar-plus homes were sold in California, with Los Angeles leading the list of cities with the most million-dollar sales.



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AGENT'S CORNER

Real Estate Bloggers' Biggest Mistakes



Bloggging is the new form of marketing online, but certain unwritten rules apply, according to *Rain City Guide*, a real estate publication in Seattle. Here are eight common real estate blogging mistakes:

- 1 Posting listings. Treat your blog as a community resource and you will be rewarded. Treat it as an advertisement and you will be unread.
- 2 Too much stuff on the front page. Keep it simple.
- 3 Creating multiple blogs. One should be plenty.
- 4 Using a generic theme. Take the time to personalize your blog. Simple steps like adding your photo, editing the header graphic and changing colors can make a difference.
- 5 Not reading other blogs. The best way to get readers is to link to other sites and have them link to you.
- 6 Too much self-promotion. It's not about you; it's about the market.
- 7 Expecting people to comment just

because you asked a question.
8 Writing a post inspired by another blogger without linking to them.

Appraisers Warn Against Zillow.com



The Appraisal Institute (AI) is urging the public to be cautious when using the newly

launched Zillow.com Web site, saying the database only offers ballpark figures on home values and that actual appraisals are available only from appraisers.

Many appraisers and real estate brokers are concerned that Zillow's home price histories for some 60 million properties could make it easier for buyers and sellers to bypass professionals in real estate transactions.

AI President Richard D. Powers said samples of Zillow's automated house values were as much as 40 percent off the mark. Zillow maintains its average is plus or minus 7.2 percent. The AI also notes that Zillow does not take into account changes in zoning, easements or other property encroachments.

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