

# Real Estate Digest

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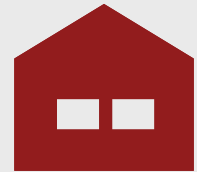


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## Experts: Subprime Mortgage Woes Can Be Stymied

There are conflicting reports about how the worrisome subprime mortgage market will affect the housing industry and the economy as a whole, with some reports suggesting there are too few such loans to really make a difference, but other reports indicating the subprime market might indeed put a drag on the housing market.

An FDIC report says 14 percent of subprime loans are 60 days past due and 2.2 million homes are in danger of foreclosure. A report by the Center for Responsible Lending, however, says only 1.1 million homes are likely to be taken back over the next six or seven years, accounting for less than one percent of the entire mortgage market.

On the other hand, many housing economists say that if that many homes come onto

the market, it would erode the need for new homes, where sales already are slowing compared to last year. As fewer new homes are built, builders say layoffs are inevitable and the impact will trickle through the mortgage, real estate brokerage and other businesses.

### Market cures

While the current mortgage market turmoil is hurting many homeowners, there are solutions. The challenge is not just ending abuses, many of which have already been ended (at least temporarily), but perhaps more importantly taking proactive steps to assure that the values of American homes do not decline further, according a recent study by First American CoreLogic Inc.

The study, "Mortgage Payment Reset: The Issue and the Impact," projects that for

each one percent increase in home values, 70,000 homes can be saved from foreclosure, and conversely, that for each one percent decline in home values another 70,000 homes will face foreclosure. The best antidote, according to the study, is a robust market.

### Legislative help

There's more that can be done. According to the non-profit American Homeowners Grassroots Alliance, the foreclosure drain can be plugged up if the Senate Banking Committee and other oversight committees take the following steps to reduce the impact of the mortgage market turmoil:

- ★ Fund consumer education and require specific plain language disclosure of the inherent risks of certain types of mortgages to all consumers contemplating those mortgages.

- ★ Impose substantially higher professional entry level requirements for mortgage brokers and sales representatives that may be further strengthened, but not reduced, at the state level.

- ★ Be cautious and initially minimalist on restrictions on types of mortgages that may be offered, because the restrictions could undermine home values and drive up foreclosures.

- ★ Look for additional ways to increase mortgage liquidity through such vehicles as an expanded role for FHA and other entities.

- ★ Reduce the costs of home ownership through such steps as permanently extending the mortgage insurance tax deduction.

## MARKETS

### Employers Offer Housing in Florida



Despite the real-estate slowdown, homes in Florida are still too pricey for some, spurring large employers like the University of Miami and



Baptist Health South Florida to get into the housing market, according to a *Sun-Sentinel* article.

The situation is especially dire in South Florida, where the median price of a single-family house — approximately \$380,000 — is at least seven times greater than the median household income in Broward, Palm Beach and Miami-Dade Counties, the newspaper said. Baptist Health South Florida, which is having difficulty recruiting nurses and other personnel because of the high cost of living, is looking into providing affordable rental housing for its employees, and the University of Miami is building more than 1,100 homes — the bulk of which will be offered for sale at “attractive” prices — for its staff.

## Montana Boasts Nation’s Most Expensive Home



*Unique Homes* magazine has released its list of the 1,000 most expensive homes in America, with the No. 1 slot taken by a spec home being built in Montana that will carry a price of \$155 million.

According to the Dallas-based Institute for Luxury Home Marketing, the home is being built by Yellowstone Club developer Tim Blixseth on 160 acres near Big Sky, Mont. The property includes four guest houses, staff quarters, a helicopter and an underground garage stocked with SUVs.

ILHM CEO Laurie Moore-Moore said there are four homes on the list priced at \$100 million or more. New York has the most properties on the list, 240 listings, followed by Florida with 234 properties.

### And as for the richest ZIP codes?

*Business Week Online* is reporting that housing prices in the nation’s 10 most wealthy communities increased substantially in the last five years.

The service said while the average homeowner saw the value of his or her

home go up by 63.7 percent, homeowners in the richest communities saw their values go up almost 80 percent. According to *Business Week*, nation’s wealthiest ZIP codes are listed below, with median sales prices for single-family homes in 2006 in parentheses:

- 1 Greenwich, Conn. (06831): \$2,983,000.
- 2 Newport Beach, Calif. (92661): \$2,500,000.
- 3 Paradise Valley, Ariz. (85253): \$1,850,000.
- 4 Avalon, N.J. (08202): \$1,687,500.
- 5 Cambridge, Mass. (02138): \$1,395,500.
- 6 Glen Head, N.Y. (11545): \$1,150,000.
- 7 Islamorada, Fla. (33036): \$1,150,000.
- 8 Chevy Chase, Md. (20815): \$1,043,000.
- 9 Hinsdale, Ill. (60521): \$950,000.
- 10 Bellevue, Wash. (98004): \$950,000.

## Mass. Seeks to Protect Delinquent Borrowers



As more homeowners risk losing their homes to foreclosure, Massachusetts Secretary of State William F. Galvin is proposing emergency legislation to require court permission before mortgage lenders can seize borrowers’ homes, according to an article in the *Boston Globe*. Such legislation would give homeowners a chance to dispute foreclosure proceedings in court.

Massachusetts is among 20 states in the U.S. that don’t require lenders to seek court approval before seeking foreclosure. According to the paper, foreclosure notices numbered approximately 20,000 in the state in 2006. Mr. Galvin also supports other proposed legislation that would spell out disclosure requirements for lenders and provide financial aid to individuals in foreclosure, the newspaper says.

## Property Tax Relief In Michigan



A bill passed by the House of Representatives in Michigan but awaiting Senate approval would allow state home buyers

to pay property taxes at the previous owner’s level and avoid the “pop-up” tax, which typically raises a homeowner’s tax bill and is based on a reassessment of the home’s value per current market value.

If passed, the new law would be in force for 18 months and would be retroactive to March 1st for home buyers who recently purchased a home in the state. While supporters of the plan say it could boost Michigan’s sagging real-estate market, others say that it would unfairly penalize home builders and sellers who haven’t owned their homes long (since their home’s assessed value is likely to be closer to market value). Another proposal being worked on by realtors would match a house’s taxable value at the time of sale to the average taxable value of similar homes nearby.

### AGENTS’ CORNER

## Wal-Mart Won’t Pursue Bank Application



Wal-Mart has withdrawn its application to become an industrial loan company, bringing a sigh of relief from the banking industry and the applause of the National Association of Realtors.

Wal-Mart hoped to become an ILC so it could process its own credit card transactions, thereby reducing costs. Banks, however, feared that once the retailer became an ILC, it would open branch banking operations.



The Realtor group, which has been battling to keep banks out of brokerage, said Wal-Mart's withdrawal helps keep the line between banks and commercial interests intact.

## Sign Removals Hurting Homesellers



The Orlando Regional Realtor Association is working with local government officials to come up with a sign ordinance that would allow builders and agents

to continue placing "open house" and similar signs in public rights of way.

In recent months, real estate agents holding open houses with little traffic have discovered after the fact that their directional signs had been removed — in some cases by police but in other cases by anti-clutter vigilantes. The agents maintain that removal of the signs hampers their ability to market homes and ultimately hurts homeowners trying to sell their properties.

## Architects Survey Consumer Preferences



Home buyer tastes continually change, and the trend this year is larger kitchens

and bathrooms, with high-end appliances and fixtures and extra space, according to a survey by The American Institute of Architects.

Members surveyed about kitchens said:

- ✱ 65 percent of consumers want upper-end appliances.
- ✱ 64 percent want more pantry space.
- ✱ 53 percent want renewable flooring material.
- ✱ 53 percent want wine refrigerator/storage.

- ✱ 48 percent want a recycling center.
- ✱ 43 percent want an island work area.

In bathroom designs, architects said:

- ✱ 62 percent of consumers want radiant heated floors.
- ✱ 62 percent, multihead showers.
- ✱ 48 percent, accessibility.
- ✱ 47 percent, doorless showers.
- ✱ 36 percent, linen closet/storage.

## TRENDS

### On the Road Again — and Again: Retirees Who Constantly Relocate



There used to be two kinds of people in retirement — those who stayed home and those who

didn't. Now, there's a third category: nomads who relocate when they retire, then pick up stakes a few years later and move again. And maybe even a few times after that, according to an article in *The Wall Street Journal*.

This wanderlust is the result of a combination of factors: the growing prevalence of decades-long retirements, a higher comfort level with moving among corporate employees who spent their careers being transferred from city to city, and an increasing number of retirees with the financial resources to move around. And one other thing: the ever-present lure of a better place to live. With time, money, health and flexibility, why not keep looking for the perfect retirement spot?

There aren't many statistics available yet, but the phenomenon has become so noticeable that academics are already coming up with labels for it. Scott Wright, a gerontologist at the University of Utah in Salt Lake City, refers to the trend of retirees with itchy feet as "Fanby," for Find a New Backyard.

Moving around has its advantages: the

possibility of trading a more expensive address for a cheaper one, a built-in change of scenery, day trips to undiscovered places and the chance to tailor your abode to your current lifestyle and needs. Plus, some retirees simply enjoy the adventure of moving to a new area and learning how to live there.

Some nomads say the spark for their first move — and the next and the next — is the desire simply for a change in scenery, ideally something exotic and stimulating. A couple, for instance, might move from the suburbs to the city, and then from the city to a rural setting. Not infrequently, these moves become a search for the "perfect" destination.

### Trendsetting Baby Boomers Look for Like- Minded Communities



Aging baby boomers, with the time and money to pursue a singular passion, such as cars, horses or aviation, are looking for communities that match their interest, according to

an article in *The Wall Street Journal*.

In Ocala, Fla., for example, where John Travolta resides along with his Boeing 707, pilot Terry Jones-Thayer is developing Jumbolair Aviation Estates, the country's largest private airstrip. In Sheperdstown, W.Va., Peter Corum is building The Crofts, an equestrian-estate community with stables, trails and lots up to 11 acres. And in suburban Dallas, Wellstone Communities LLC and Texas aerobics guru Dr. Kenneth Cooper are developing one of the nation's first fitness villages, a 191-acre project where residents will be assigned personal trainers, doctors and dieticians.

Niche developments, like Racers Ranch, take the idea of associating a brand with a neighborhood a step further, creating country-club communities around

a specific pastime. The premise is risky, because it narrows the pool of potential buyers and pushes up prices. The upshot is that projects can take years to complete. For example, Ms. Jones-Thayer of Jumbolair Aviation Estates says 22 of 100 lots have been sold since her project began in 2001, primarily to jet-setting executives and aviation enthusiasts. The lots, which are between 2.5 and 4.5 acres, sell for \$350,000 to \$675,000 and dues run another \$4,000 a year. So far only five homes are finished.

Still, developers of such communities have successfully tapped into the Internet, which has allowed marketers to bring like-minded people together, not unlike electronic dating services. John B. Lowery, president of Wellstone, says developers are, more importantly, mining a demographic that, in addition to having time and money, maintains a youthful mindset. "These are people who grew up with the Rolling Stones," said Lowery. "They're not going to be content to play shuffleboard."

## Builders: "Boom, Bust" Created by National Factors



The National Association of Home Builders says the boom years of 2002-2005 were largely attributable to "national" factors rather than local influences, which resulted in the 2006 downturn that continues to nag real estate professionals this year.

"The boom in housing can be attributed largely to excess demand generated by historically low interest rates coupled with aggressive mortgage lending practices, a combination that made homeownership more affordable but also attracted investors and speculators into many markets. These factors put inordinate upward pressure on sales, prices and production," said the organization's chief economist, David Seiders.

Because the boom and correction cycle has largely been driven by national

rather than local factors, most regions have experienced some degree of overheating and correction, Seiders added. The builders say the remainder of 2007 will likely be a flat market but 2008 should be better.



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