

Real Estate Digest

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Coming to America: Foreign Buyers Snapping Up U.S. Real Estate

All real estate may be local, but all buyers are not. During the most recent real estate boom and even more so now, many homebuyers are hailing from countries outside the United States.

Almost one-third of real estate agents – 32 percent – report having had at least one international client between April 2006 and April 2007. More than fifty percent of those who did have international clients had successful home sales transactions with those customers. One out of every four real estate agents surveyed reported an increase in international business over the last five years.

Mexico leads with international clients

Among international clients, the top five countries of origin were Mexico, the United Kingdom, Canada, India and China.

The international buyer is bucking the trend when it comes to likes, dislikes and methods of payment. In 2006, most international homebuyers purchased single-family homes or townhouses, but a higher percentage of them purchased condos or apartments than U.S. buyers, 22 percent versus 12 percent.

Cash is king

The proportion of foreign buyers who paid cash for their home was much greater than that for the general homebuyer population – 28 percent vs. eight percent. NAR suggests that foreign buyers may be moving significant assets to the U.S. and pay cash because they don't need to take the tax benefits of mortgage interest deductions.

Cash buying is a good thing for U.S. housing markets, says the National Association of Realtors (NAR), because it lowers the risk of mortgage

defaults. Lower foreclosure risk, in turn, lessens the possibility of a price decline in a market. In the wake of the subprime mortgage fallout in the spring of 2007 and the subsequent increase in mortgage delinquencies and foreclosures, cash purchasing is a good sign for the future of those markets.

The median sales price of homes purchased by international buyers was \$299,500, which is significantly higher than the U.S. median of \$221,900 during the same period.

Forty-seven percent of all international buyers purchased homes exclusively for vacation, while 22 percent were motivated primarily by investment.

Sunny weather

Like domestic buyers, foreign buyers are attracted to markets where it's warm. Twenty-six percent of sales

to foreign buyers in 2006 occurred in Florida, 16 percent in California, and 10 percent in Texas. The South attracted 49 percent of international buyers last year, while the West attracted 31 percent.

MORTGAGES

Subprime Loans Steadily Declining



A new survey released by the National Association of Mortgage Brokers

shows subprime mortgages are a small and declining portion of the overall mortgage market. Earlier this year, only 11 percent of all loans offered were subprime. In 2006, 13 percent of all loans offered were subprime loans, which are designed for homebuyers



with credit scores below 620.

“This ongoing study further puts subprime mortgage issues in perspective,” said NAMB President George Hanzimanolis. “For all the attention that these loans have received in the media, we’re talking about a small – and shrinking – portion of the home buying market.”

Federal Reserve Chairman Ben Bernanke, meanwhile, has advised the Senate Banking Committee that losses associated with subprime loans could reach \$100 billion, and suggested it could be time to license mortgage brokers. Among the new rules may be a requirement that lenders consider a borrower’s ability to make payments not just on a teaser rate but on the loan’s eventual adjusted rate.

Homeownership Rate On the Decline



Homeownership rates have fallen to their lowest level since 2003, with African-Americans

hit most significantly, according to the U.S. Census Bureau.

Some 68.4 percent of Americans owned their own homes in the second quarter of 2007, down from its peak of 69.4 percent three years ago. For blacks, the homeownership rate has dropped 3.4 percentage points over the last three years to 46.3 percent.

MARKETS

New Foreclosure Database Gives Investors Edge



With foreclosures at an all-time high, Melissa Data (www.Melissa-Data.com), a provider of targeted leads and mailing lists, has announced the availability of an online fore-

closure list that provides investors with quick access to premiere property data on homes listed below value. Users can select records from criteria including city, ZIP code, county, state, recorded date, stage of foreclosure, and then purchase and download a list immediately.

Updated weekly with approximately 35,000 new records from more than 1,000 counties, the foreclosure list identifies properties in all stages of foreclosure (both pre- and active foreclosure, and real estate scheduled for auction). The foreclosure list is available as a single purchase or weekly subscription.

“With the upset in the subprime industry and the financial strain of rising adjustable rate mortgages, foreclosures have reached record levels,” said John Hull, Melissa Data vice president of list sales. “As unfortunate as the situation is, it’s an opportunity for savvy investors looking to grow their property portfolio.”

Foreclosures Nearly Double Over Last Year



according to RealtyTrac, a real estate monitoring service.

Nevada topped the list with one filing for every 175 households, followed by California, Colorado, Florida and Arizona. Vermont has the nation’s lowest foreclosure rate, one for every 36,798 households, followed by South Dakota, Wyoming, North Dakota and West Virginia.

The 10 worst cities for foreclosure rates were, in order: Stockton, Merced, Modesto and Riverside-San Bernardino, all in California; Las Vegas; Greeley, Colo.; Vallejo-Fairfield, Calif.; Sacramento; Detroit and Miami.

Prices Soar In Wyoming



The rest of the country may be in a real estate downturn, but home prices in Wyoming, particularly the Jackson

Hole area, are soaring, causing many local residents to move to Idaho, reports the *Star Tribune* of Casper, Wyo.

Nurses and teachers are just some of the workers in Jackson’s social services industry living on the other side of the Teton Pass, a mountain crossing near the southeastern Idaho and northwestern Wyoming border. On one side of the pass is Jackson, where home prices are rising, hitting a median of almost \$1.2 million — a 28 percent increase from a median price of \$920,000 in 2006; on the other is Victor, Idaho, where the estimated median house/condo value in 2005 was \$180,483.

TRENDS

Consumers Remain Upbeat



About 52 percent of those surveyed expected the average price of homes in their area to increase over the next year, and another 29 percent believe prices will remain about the same, according to The Experian-Gallup Personal Credit Index. Only 18 percent said they expect prices in their area will decrease.

Of those who said they were “very familiar” with subprime loans, 61 percent said they expect problems in subprime to spill over into the overall mortgage market. About 55 percent said the federal government should pass legislation helping subprime borrowers keep their homes and avoid foreclosure.

The Experian-Gallup Personal Credit Index, which fell to 87 in June from a high of 105 in January and February, rebounded to 95 in July. The index measures

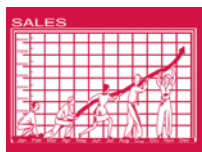


consumers' perception of credit issues.

Some 17 percent of those surveyed said they knew someone who had been turned down for credit during the past three months, although 44 percent said they felt it was easier to get credit than it was three months earlier.

The survey was conducted in April, May and June, before the latest turmoil in the secondary market for mortgage loans prompted many lenders to further tighten underwriting standards and eliminate the use of some risky loans altogether.

NAR Now Forecasting A Recovery in 2008



NAR's monthly housing forecast again is pointing toward a 2008 recovery of the housing market, but a little later than earlier

hoped. NAR had been forecasting an upswing in sales by the end of this year, but now says that won't happen until sometime in 2008.

"Buyers now have an overwhelming advantage given the wide selection of homes available in many markets. But with profit margins coming under pressure, homebuilders will limit new construction well into 2008. This should help the overall inventory level to move steadily into a more balanced state," said senior economist Lawrence Yun.

Existing-home sales are expected to total 6.11 million this year and 6.37 million in 2008, down from 6.48 million last year. New-home sales are projected at 865,000 in 2007 and 878,000 next year, compared with 1.05 million in 2006.

Existing-home prices are likely to rise 1.8 percent to a median of \$222,700 in 2008 after a 1.4 percent decline this year to \$218,800. The median new-home price should rise 2.2 percent to \$222,700 next year following a 2.6 percent drop in 2007 to \$240,100.

Builders Remain Wary of Market



Home builders worried about the number of unsold homes on the market and watching problems in the subprime mortgage arena are not optimistic

that housing will recover any time soon. The NAHB (National Association of Home Builders) says its monthly confidence index in July dipped to 24, its lowest point since January of 1991.

"The bottom line is that the single-family housing market is still in a correction process following the historic and unsustainable highs of the 2003-2005 period," said NAHB Chief Economist David Seiders. Nevertheless, Seiders said he believes there will be an upturn in the market beginning early next year.

The builders' group has also says impact fees are turning buyers away. The group says that every \$819 increase in fees paid at the beginning of construction — such as construction permits, tap fees, etc. — adds an additional \$1,000 to the final price of the home. They say every \$1,000 increase in the cost of a new median-priced home forces 217,000 prospective buyers out of the marketplace.

More Homes Earning Energy Star Rating



In 2006, the percentage of newly constructed single-family homes earning the government's Energy Star for superior energy efficiency exceeded 12 percent in 15 states.

Bob Meyers, EPA's principal deputy assistant administrator for Air and Radiation, said, "EPA is pleased to see builders in so many states leading the effort to offer their customers high-efficiency, low-emission choices in new homes."

The 15 leading states are: Alaska, Arizona, California, Connecticut, Delaware, Hawaii, Iowa, Nevada, New Hampshire, New Jersey, New York, Ohio, Texas, Utah and Vermont.

U.S., China Are Top Relocation Destinations



China is on pace to become the No. 1 corporate relocation destination within the next two years, says Cartus, a global mobility management company.

Currently, the United States remains the most popular destination for corporate transferees, but Cartus said China already had replaced the United Kingdom as the second most popular destination and that it likely would take the top spot by 2009.

According to the company, currently 30 percent of job transfers are to the United States, 23 percent to China, eight percent to the U.K., and five percent to Germany.

But by 2009, however, it projects 31 percent of global relocations will be to China, 25 percent to the United States, four percent to the U.K., and four percent to India.

LAW

Fraternity Restrictions Upheld in Iowa



The Iowa Supreme Court has ruled that Ames, Iowa, home to Iowa State University, may legally restrict the number of unrelated occupants in a home to preserve the sanctity of

the neighborhood. The ruling specifically impacts Ames Rental Property Association, which hoped to put fraternity houses in otherwise quiet residential neighborhoods.

The high court held that governing bodies have a legitimate interest in promoting and preserving neighborhoods that are conducive to families, and therefore may restrict the number of unrelated persons living in a specific home to three or fewer.

SoCal MLS Removes “Days on Market” Data



The Southern California Multiple Listing Service, one of the largest in the nation, says it will no longer include “days-on-market” in its public

reports, but will only provide the data to members who request it.

SoCal MLS CEO Russ Bergeron said the information will be provided only through agents because the data — which included both cumulative days on the market and the most recent listing date — needs the interpretation of an

agent to be understood.

Bergeron said the SoCal MLS board “felt that clarity was best achieved by encouraging practitioners to have discussions with their clients about those histories where appropriate, and that the information is best conveyed through a discussion between agents and clients.”

Consumer advocates have complained that SoCal MLS was attempting to hide data showing a housing slowdown.

Agents’ Corner

Company Offers Free Entry-Level Web Sites For Agents



The real estate technology company a la mode is providing free, standard-level Web sites to real estate agents.

The sites come with a free domain name, round-the-clock support services, integrated blogging, listing presentations,

lead capture tools and marketing components.

The company hopes agents will pay later for premium features on the site. For more information, click [here](#).



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