

Real Estate Digest

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Young, Savvy “Generation Y” Members Go Home Shopping

Generation Y is growing up fast and they're buying homes. The average age of a first-time Gen Y home-buyer is 26, three years younger than for Gen X or baby-boomer buyers.

The Gen Y label refers to those born between 1978 and 1994. They're also called Millennials, the Internet Generation, Echo Boomers, Nexters and the Digital Generation. Generation Y follows Generation X, a term coined by fiction writer Douglas Coupland to describe those born after boomers, roughly 1965 to 1978.

Top at tech

Favorable rates and a buyer's market make it easier for young people these days, but the characteristic that sets this generation apart is that they are tech-savvy. Generation Y can't remember life without a computer. This means they are consumers who research everything, including buying houses.

Gen Y is the generation of MySpace and Facebook. That means they will be looking for homes that offer more connection to the neighborhood instead of privacy for their owners: front porches, less space between homes, more density, smaller yards, building up instead of out, condominiums, duplexes, etc.

They are also confident. Parents told them they were special, challenging their children's teachers on poor grades and negotiating with their coaches for more playing time. Stores like Baby Gap, channels like Nickelodeon and numerous magazines and catalogs have catered to them their whole lives. So Gen Yers don't doubt themselves or their decisions, including buying a house.

Gen Yers, by and large, are looking for low-maintenance homes that are easier to care for than the McMansions of their parents. More brick, steel and glass, but also more condo living and less emphasis on land.

In the next 20 years, a big

backyard is going to move from asset to liability. Mention “acreage” and a 50-something hears “peaceful place away from the pressures of the city,” while a 20-something hears “isolated maintenance nightmare.”

The green gen

Gen Yers are more environmentally concerned than previous generations. Developers and architects will be forced into environmental awareness purely by market demand.

The one constant with Gen Yers is change, meaning they'll be looking for flexible floor plans that can change as technology and their lifestyles change. Technology means more modernism and perhaps new features such as demountable wall panels. The panels, which allow walls to be broken down and moved, work like office cubicles with metal-grid foundations. They allow you to easily change wall material (fabric, glass, etc.) and rewire as technology evolves.

MARKETS

California Market Improves for First- Time Buyers



There is a glimmer of good news in the California housing market: The percentage of

households that can afford an entry-level home in the state reached 44 percent in the first quarter, compared with 26 percent for the same period a year ago.

The California Association of Realtors said the minimum household income needed to purchase an entry-level, \$356,350 home was \$67,830 in the first quarter, 30 percent lower than the first quarter of 2007, when households needed \$96,500 to qualify for an entry-level home. (The state's current media household income is \$50,700.)

The index is based on an adjustable interest rate of 5.65 percent and assumes a 10 percent down payment. First-time buyers typically purchase a home equal to 85 percent of the prevailing median price. The improvement was credited to an overall decline in home prices and lower interest rates.



NAR Says Market is Poised to Improve



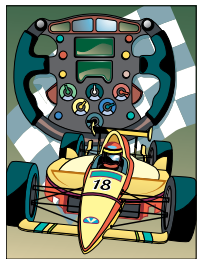
National Association of Realtors chief economist Lawrence Yun said the market was flattening but anticipates some improvement in the last part of the year.

The pending home sales index in the Northeast was up 12.5 percent to 80.8, but remains 15.4 percent below a year ago. In the South, the index slipped 0.1 percent to 84.9 and is 26.7 percent lower than last year.

In the West, the index declined 1.4 percent to 91.2 and is 9.5 percent below a year ago. In the Midwest, the index fell 10.4 percent in March to 74.1 and is 22.3 percent below last year's index.

An index reading of 100 equals the average level of sales activity in 2001.

Indianapolis Still Tops In Affordability



Americans who are looking for good, inexpensive housing need to head to Indianapolis, which the National Association of Home Builders has named the nation's most affordable city for the 11th quarter in a row — but

it also says houses everywhere are becoming cheaper.

According to the NAHB's quarterly Housing Opportunity Index, 53.8 percent of homes sold in the quarter were affordable to families earning the national median income of \$61,500.

The NAHB said three factors combined to substantially increase housing affordability: lower interest rates, a \$2,500 per year increase in family incomes and lower home prices.

In Indianapolis, 90.1 percent of homes sold in the first quarter were affordable to families earning the local median household income of \$65,100. Following it on the affordable list were: Youngstown, Ohio; Grand Rapids,

Mich.; Detroit; and Harrisburg, Pa.

The nation's least affordable cities were: Los Angeles; New York; San Francisco; Miami; and Anaheim, Calif.

TRENDS

Consumers Check Many Sources to Find Homes



While most home buyers search the Web for their ideal property, they have not stopped looking in newspapers and using other sources to assist their buying decision.

According to a survey by the Pew Internet Project, about 50 percent of consumers have used the Web to buy or rent a home, but about the same number say they also looked through ads in newspapers and 47 percent said they asked their real estate agent for advice.

Pew said the main benefit of shopping online was reduced search costs and getting a better feel for neighborhoods.

Of those who used the Internet, 54 percent said they took a video or virtual tour of a house, apartment or neighborhood and 50 percent visited real estate sites. Nearly 30 percent said they believed online information helped them save money on the deal.

Do Techno-Savvy Agents Earn More?



The Real Estate CyberSpace Society, a provider of technology education to real estate agents, has released a survey showing its members earn an average of \$162,000 annually, compared to NAR statistics showing the typical Realtor member earns \$49,000.

Jack Peckham, director of the Society, said, "Real Estate CyberSpace Society members are not techie nerds by any means. They are real estate professionals who use the Internet and technology to make them far more effective at what they do."

The Cyberspace Society has about 10,000 members, with about 80 percent involved in residential real estate, 15 percent in commercial and five percent in areas such as appraisals.

U.S. Home Prices Lure Foreigners



Americans' love affair with real estate may be cooling, but — thanks to falling home prices and the weak dollar — attention is heating up from another group of suitors: foreign investors.

Foreign buyers have long looked to certain U.S. markets, such as high-end properties in Manhattan or South Beach Miami, as investment opportunities. These days, however, real estate professionals report increased international interest in a much larger range of properties, from \$60,000 single-family homes in South Florida's inland neighborhoods to \$1 million waterfront villas located just miles from the Canadian border in Washington State.

Almost one in five, or 18 percent, of realtors surveyed by the National Association of Realtors last year said they had sold homes to international clients between April 2006 and April 2007. More recent data aren't yet available, but according to anecdotal evidence, those numbers continue to rise.

"There definitely is more interest in U.S. properties, no question about it," says Mark Partin, president of Trailridge Property Corp. of Toronto, which brokers deals between U.S. developers and Canadian investors interested in buying residential properties "in bulk."

For many foreign buyers, property in the U.S. is cheap. Foreign buyers also seem more optimistic about the long-term health of the U.S. market, says David Michonski, a certified international property specialist and chief executive of Coldwell Banker Hunt Kennedy in New York. "The foreign buyer has an unbridled confidence in the U.S. market that is lacking in the domestic purchaser today," he notes. "They view this as the bargain of a lifetime and are terribly excited about it."



Renters More Reluctant to Buy



Occupancy rates of rental units remain high and the number of renters moving out to become homeowners is very low, says the National Multi Housing Council.

“The bursting of the for-sale housing bubble has greatly slowed the outflow of renters into ownership,” said Mark Obrinsky, NMHC chief economist. “More than 80 percent of the survey respondents reported a decrease in the number of renters leaving to become homeowners.”

The NMHC survey also indicated more renters were moving out of investor-owned properties and into professionally managed buildings. Obrinsky said many of those moves were forced by investors giving up the properties to foreclosure.

Americans Delay Retirement



As the falling real estate and stock markets erode their savings, many aging Americans are delaying retirement, electing labor over leisure in uncertain times.

The double dip has affected asset owners of every age bracket. In 1987, property and market values dropped in tandem — but nowhere near the extent of what’s happening now, says financial historian Richard Sylla of New York University’s Stern School of Business.

With their homes worth less, fewer people feel confident enough to retire, even if they plan to continue living in them. And unlike younger workers, they don’t have years to make up for downturns in the stock market. As a result, they worry that their investments will diminish to the point that they won’t have enough money to get through retirement.

According to economists and demographers, a huge exodus from the workforce

should be happening. The first of 78 million baby boomers, those born between 1946 and 1964, passed the 60-year-old mark two years ago. And 2008 was expected to be a banner retirement year, with the oldest boomers reaching 62 — the earliest age for collecting Social Security. When the first boomer drew a benefit on Feb. 12, the Social Security Administration described it as the start of “America’s silver tsunami.”

Another big motivation for older workers to stay on the job: scarce health benefits for retirees. Between 1988 and 2007, the percentage of large companies offering retiree health benefits fell by half, to 33 percent, according to the Kaiser Family Foundation.

MORTGAGES

Many Buyers Wary of Foreclosed Homes



Most Americans are uncomfortable with the idea of buying a foreclosed home, according to a survey by the real estate search site www.Trulia.com. The survey found that about half of buyers would consider looking at a foreclosed property but two-thirds conceded they felt there were “negative aspects” related to such a purchase, including hidden costs, the possibility its value would decline and other risks.

Other findings from the survey showed:

- * Single/never married adults (60 percent) are more likely to consider purchasing a foreclosure versus married (50 percent) or divorced/separated/widowed adults (50 percent).
- * Males are more likely to purchase a foreclosure compared to females (57 percent versus 51 percent).
- * Younger adults (18-34) are more than twice as likely to purchase a foreclosed home than adults 55 and older (69 percent versus 32 percent).
- * 20 percent of adults said that having a personal connection with someone who lost their home to foreclosure is a negative aspect of purchasing a foreclosed home.

Nevada, California & Florida Top Foreclosures



The nation’s foreclosure problems show little sign of letting up. RealtyTrac reports a five percent increase in the number of homes in the default process in March over the previous month, and a 57 percent increase over year-ago numbers.

Foreclosure filings — default notices, auction sale notices and bank repossessions — in March totaled 234,685. The researcher said one in every 538 homes in the United States was in foreclosure.

As has been the trend for the past several months, Nevada, California and Florida top the nation in the number of foreclosures. One in every 139 Nevada households received a foreclosure filing during March. In California, one in every 204 homes is in foreclosure, and in Florida the number is one in every 282.

In a separate survey, the Pew Charitable Trust predicts that in the next two years, as many as one in every 33 homes will be in foreclosure because of subprime loans made in 2005 and 2006.

HUD Launches Fair Lending Campaign



HUD has begun running public service announcements to educate minorities about their rights under the lending provisions of the federal

Fair Housing Act.

The bilingual campaign features Dennis Haysbert, who is best known for his role as President Palmer in the Emmy award-winning television series “24,” sitting in a café, drawing his dream home on a napkin and explaining that it is illegal to discriminate in lending because of someone’s race, color, national origin, religion, sex, familial status or disability.

The PSA ends with the tagline “HUD — One Call. Many Answers,” and encourages people to call HUD’s fair housing hotline, 1-(800) 669-9777, or to log onto HUD’s

Web site, www.hud.gov/fairhousing, if they believe they have experienced lending discrimination.

AGENTS' CORNER

Does Search Engine Marketing Generate Sales?



Search engine marketing companies make the pitch that they can boost the traffic on your Web site and make you the next Web phenomenon with their magical keywords and superior linking ability.

Are these companies going to boost the traffic on your site? Yes, says real estate analyst John Hernandez, but with a catch.

"Is that going to mean more business for you? No," says Hernandez. "They use tactics that have forced search engines to have more advanced security measures in order to prevent things like keyword stuffing, misleading keywords and software that automatically

submits links to hundreds of link farms all over the Web. The end result of this practice is an increase in traffic but not an increase in business."

Most people have a fairly specific idea of what they're looking for and it's generally these kinds of people who end up becoming your target audience and customers, as opposed to people searching for something broader.

For example, if you sell beachfront property on Miami Beach, a good keyword is "Miami Beach oceanfront homes" because it gets around 300 searches a day from people obviously looking for homes on the water in Miami Beach. A search engine marketing company will recommend a keyword phrase like "South Florida Homes" because it gets nine thousand searches a day, which is indeed a lot of potential traffic, but it has less of a likelihood of converting to a sale of your Miami Beach property.

There's a ton of software available that will let you click a button and auto-submit links to hundreds of directory Web sites.

This software can be successful if used correctly, which it rarely ever is. The types of directories that allow this type of submission are link directories, which can be legitimate but often are deemed by search engines like Google to be "link farms."

A link farm is a Web site that has no purpose other than to allow other Web sites to link to it, building up its page rank and those of other Web sites as well. When Google and other search engines locate these sites they exclude the site from their database and punish all sites that linked to it with a reduction in page rank. Search engine marketing companies will blast your site to link directories all over the Web with their software, potentially endangering your site by inevitably placing it on a link farm and therefore making your site "guilty by association" when search engines remove the site from their database.

Bottom line: Search engine marketing companies can increase your traffic, but they won't increase your business and may jeopardize your standing with major search engines.



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