

Real Estate Digest

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Among Bank Failures & Foreclosures, Experts Remain Confident of a Turnaround

If you think the sky is falling, think again. Among other indications that the market is more robust than many believe, the *Washington Post* reports that a team of housing economists believes “predictions of further large housing price declines are greatly overblown.”

The *Post* gathered some of the nation’s top economists to study the housing crisis. They concluded that in reality only four states – Arizona, California, Florida and Nevada – have had home price declines of more than four percent in the past year. The economists said the home price index compiled by the Office of Federal Housing Enterprise Oversight was the most comprehensive of the various indexes.

“Our analysis reveals, unsurprisingly, that foreclosures

and home prices have negative effects on each other over time, but this does not imply a vicious cycle of collapsing prices. Our models predict that as foreclosures continue to climb in many states, house prices will remain flat or decline in those states — but will not collapse,” the analysts said.

Sales stabilizing

The National Association of Realtors, meanwhile, reports existing-home sales in the second quarter were down less than one percent compared to first quarter sales. The trade association said sales actually rose in 13 states over the quarter and about a quarter of metropolitan areas are showing price increases from last year.

NAR said the largest home-sales gains over the quarter were in markets that had been hard-

est hit as consumers respond to deeply discounted home prices. Home sales increased 25.8 percent in California, 25.0 percent in Nevada, 20.5 percent in Arizona and 10.1 percent in Florida.

And Integrated Asset Services, which tracks median prices on detached single-family residences nationwide, reports home prices were up 1.1 percent in June from the previous month, but are still about 11.5 percent below where they were for the same period last year. The company found single-family home prices in the Midwest rose 4.7 percent in June compared to May; in the South prices were up 1.7 percent; and in the Northeast prices were up 0.4 percent. Prices in the West continued to lag national averages, reportedly down 0.5 percent in June compared to May.

Eyes on next year

There’s still plenty of treacherous water to navigate, but with mortgage rates at all-time lows and inventories beginning a decline, many industry professionals are hoping 2009 is the year of the rebound.

TRENDS

First-Time Buyers Want Larger Homes, Not Fixer-Uppers



First-time home buyers are primarily concerned with af-

fordability when choosing a new home, but their expectations may be too high relative to their current financial buying power, according to a recent Coldwell Banker survey conducted among its brokers.

While nearly half of the Coldwell Banker broker respondents reported that affordability was the No. 1 concern for this group, 81 percent said today’s first-time home buyers consider move-in condition to be very important when searching for homes.

Seventy-one percent of brokers noted that first-time home

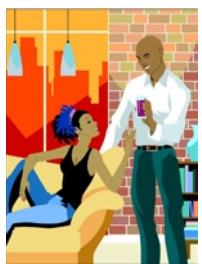


buyers are looking for larger homes than they were 10 years ago. In contrast, only seven percent are looking to purchase “fixer-upper” homes that they could buy at a lower price and renovate themselves.

According to 29 percent of brokers surveyed, first-time buyers were more concerned with down payments 10 years ago than anything else, while only 17 percent said this is the biggest concern in today’s market. Meanwhile, survey respondents said that only four percent of first-timers were worried about their credit scores in 1998, while 14 percent said it is more of a concern today. The study also found:

- ✦ Proximity to job is the No. 1 attribute first-time buyers say they are looking for in a home.
- ✦ Thirty-five percent of the survey respondents said “investment” is the No. 1 reason first-timers are making their purchase.
- ✦ Forty-six percent of the survey respondents reported that first-time buyers look at five to 10 homes, on average, before making a purchase.

Urban America Becoming More Diverse



Again emphasizing the need for multi-cultural, multi-ethnic and preferably multi-lingual sales associates, the U.S. Census Bureau has released a report showing that the U.S. population is more diverse than ever.

According to the government, there are now 302 counties where the total number of minorities is higher than the number of white residents.

The largest of those counties, in order, are: Bronx, N.Y.; Dade County, Fla.; Los Angeles County; Queens, N.Y.; Bexar County (San Antonio), Texas; Dallas County; San Bernardino, Calif; Harris (Houston), Texas; Santa Clara and Riverside Counties in California and Cook County (Chicago).

Magoffin County, Ky., east of Lexington, has the largest proportion white population at 98.9 percent.

Americans Love to Move – But Not Too Far Away



The Census Bureau has released numbers showing that when most people move, they stay within their own county and the overwhelming majority remain within their own state.

The Bureau found that between 2006 and 2007, 38.7 million people moved in the United States. Of that number, 25.2 million stayed in the same county; 7.4 million moved to a different county within the same state; 4.9 million moved to a different state; and 1.2 million moved from abroad to the United States.

The Bureau said the Northeast had the lowest moving rate (nine percent), followed by the Midwest (13 percent), the South (14 percent) and the West (15 percent).

Asked why they moved, 42 percent said they wanted to live in a better neighborhood; 30 percent said their move involved family concerns; 21 percent said employment; and seven percent listed other factors.

Weak Labor Market Could Nix Inflation Worries



An “incredibly weak” labor market could put an end to inflation worries for next year, said Dr. Mark Dotzour, responding to a report released yesterday by the U.S. Labor Department.

Nationally, nonfarm productivity was up 4.3 percent in second quarter 2008 while unit labor costs were down 0.5 percent, the report showed.

“This means U.S. companies produced 4.3 percent more without adding any work-

ers,” said Dotzour, the chief economist for the Real Estate Center at Texas A&M University.

“This is a classic sign of companies getting lean and mean, meaning they aren’t going to hire anybody soon. It appears that wages on average aren’t going to respond to the higher prices, so inflation next year could be zero or negative.”

Dotzour also predicts another Fed rate cut before the end of the year.

“In the past two major recessions, the Fed cut rates by a total of 5 percent to 5.5 percent before they turned the corner on the economy,” he said. “So far, they have only cut by 3.25 percent.”

MARKETS

Low Home Prices Keep Texas Foreclosures Under National Average



Texas is faring much better than the nation when it comes to number of foreclosures. According to RealtyTrac Inc., year-to-date 2008

foreclosures for the United States were up 27 percent as of last month, while Texas had an 18 percent drop.

Lower housing cost is part of the reason: Two Texas cities landed on Coldwell Banker’s list of ten most affordable housing markets in the country. Arlington ranked seventh with a 2008 average sales price of \$143,775; Killeen ranked ninth at \$145,812.

Dallas, with an average price of \$326,425, was deemed the most expensive market in Texas. However, that price is substantially below the national average of \$403,738.

Seller Pledges to Drop Price \$1,000 Per Day



Homeowner Chuck Rathbun has found an innovative way to market his Spokane, Wash., home: He is dropping the price \$1,000 per day until it sells.



The 3,500-square-foot home has been on the market for 30 days priced at \$360,000. He had almost no showings. Since he began lowering the price, every day at noon, he says the amount of interest and number of showings has picked up substantially. Asked how low he was prepared to go, Rathbun said he would do whatever it took to sell the property.

MORTGAGES

Housing Stimulus Law Provision Now In Effect



Both homebuyers and builders will feel the impact of a key provision of the new housing stimulus law that took effect Oct. 1. Under the provision, FHA can no longer insure mortgages in which the down payment comes directly from the seller or other interested party.

According to the National Association of Realtors (NAR), down payment assistance from family members, government programs or charities that are not seller-funded is still permitted.

David Zugheri, cofounder of Houston-based First Houston Mortgage, said seller-funded down payment-assisted FHA loans have a high default rate, and he sees the new provision as a good thing. NAR reported that the default rate on these types of loans was more than 28 percent last year, about three times the default rate on FHA loans without seller-funded down payment assistance.

“If this provision can save 100,000 people from going into foreclosure, I think we have to say that it’s worth it,” Zugheri said.

While homebuyers will be affected, Real Estate Center Research Economist Dr. Jim Gaines said the provision will impact home builders the most.

“Many builders offer down payment assistance as a way of depleting inventory,” he said. “They’ve basically been offering manufacturer rebates similar to those offered by car manufacturers.”

HUD Grants \$16.9 Million To Help Rural Economies



Housing Secretary Steven Preston has awarded \$16.9 million in grants to 60 rural housing programs to help produce more affordable housing.

The Rural Housing and Economic Development (RHED) grants help pay for land acquisition, new home construction, housing demolition, infrastructure improvements and construction training. Other possible uses include homeownership and financial counseling; financial assistance to homeowners, businesses and developers; creating micro-enterprises and small business incubators; and establishing lines of credit or revolving loan pools to benefit the local business community.

Appraisers Want Stricter Appraisal Laws



Real estate appraisal groups led by the Appraisal Institute are calling on Congress to write stricter laws that require states to investigate complaints against real estate appraisers.

The appraisal group’s demands are in response to a survey by the Associated Press wire service that found that 24 states routinely fail to meet government guidelines that require complaints against appraisers to be investigated within one year.

In some cases, the AP found complaints went unexamined for several years – and appraisers were allowed to remain in business until the complaints were resolved. The appraisal groups said state government failures to weed out criminal appraisers has contributed substantially to the meltdown in the housing industry.

Internet Buyers More Efficient Than Those Offline



The number of people going online to shop for homes is going up, and they then tend to be better prepared to buy, according to Fizber.com. According to the survey, buyers who used only a real estate agent to find a home previewed an average of 17 homes before buying, while buyers who used the Internet to eliminate inappropriate homes previewed only seven homes with their agents.

The site reported online buyers spent about six weeks researching homes before contacting a real estate agent, while traditional buyers typically spent only one week researching properties before contacting an agent.

AGENTS' CORNER

How to Attract Canadian Buyers



Thanks to a strong Canadian dollar and stable economy, Canadians are now the biggest foreign buyers of American homes – nearly one in four foreign sales goes to a Canadian, according to NAR.

With American buyers sitting on the sidelines, it’s worth tapping into this eager pool of buyers north of the border. Here are some tips:

- ✳ Throw in the furnishings. Many Canadians are buying homes during whirlwind tours staged by agents, lenders or investment groups. Since their time is limited, they often don’t want the additional hassle of shopping for furniture, dishes or pots and pans, especially if they plan to rent the unit out soon after they close.
- ✳ Play up light-filled, formal spaces. Fort Lauderdale, Fla., real estate agent Elyane Encaoua says that unlike Americans, Canadians give formal spaces like living and dining rooms heavy use. Because they

endure long, dark winters at home, they also put a premium on big windows and natural light. So pull back or eliminate curtains, and include lots of pictures of formal rooms in advertising and brochures.

- * Offer seller financing. Canadians typically can't get mortgages from Canadian banks to buy U.S. properties. They can get loans from American lenders, but because of the added risk, lenders often demand as much as half of the purchase price as a down payment. See if you can offer a better deal, assuming the buyer's credit checks out. For a list of Canadian credit bureaus, go to canadian-creditreport.com/contact.htm.
- * Co-list the home with American agents who target Canadians. Such agents are easy to find on the Internet, since they include information on how Canadians can navigate the American home-buying process.

Staging Home for Sale Worth the Cost



Staging a home for sale allows a potential buyer to visualize what can be done with the home, which is especially important with a house that's currently vacant. For example, some carefully arranged furniture in a room that would otherwise be empty can really help the buyer see the room's potential. And if you're helping to sell in a neighborhood of tract houses that all look pretty much the same inside, good staging will set the home apart from the others for sale in the neighborhood.

There are several things that go into staging a home for sale, and probably the

single most important one is getting rid of all the clutter. No one wants to see several days' worth of mail and newspapers on the kitchen counter, or a kid's bedroom crammed with toys and games. The same applies to the garage, basement and even the backyard storage shed.

Always have an eye on what can be done to help the buyers visualize living there. For example, lots of family photos on the wall will make it hard for the buyers not to feel like they're trespassing in someone else's home.

Likewise, while the owners may be very proud of their religious affiliations, choice of political ideologies, gun collection or the elk head on the wall, remember that not everyone shares these interests. If you can depersonalize the home to some degree, it will make it easier for potential buyers to see themselves making a life there.

The cost of professional staging varies with the size of the house and amount of work involved, but a well-staged home should sell quicker and for more money, which makes that upfront expense a wise financial investment.



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