

Real Estate Digest

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February • 2009

Volume 35 • Number 2



First-Timers Diving In as Affordability Soars, Rates Drop

Make no mistake, the market is as dark and grey as February skies. But a bit of blue is appearing. Increasingly, first-time homebuyers are moving into the market, taking advantage of low prices and comparatively good mortgage interest rates, according to The National Association of Realtors.

NAR said the number of first-time buyers in 2008 rose to 41 percent from 39 percent of transactions in the 2007 survey, and 36 percent the previous year. The trade association also said the median age of first-time buyers was 30, down from 31 in 2007, and the median income was \$60,600. The typical first-time buyer purchased a home costing \$165,000 and plans to stay in that home for 10 years, up from seven years in 2007.

Affordability improves

Not surprisingly, The Home Builders Association reports depressed prices nationwide have boosted home affordability to

levels that haven't been seen for more than four years.

According to the NAHB's third-quarter 2008 Housing Opportunity Index, 56.1 percent of all new and existing homes that were sold were affordable to families earning the national median income of \$61,500, well above the 40.4 percent of families who could afford homes at the peak of the housing boom.

The two most affordable major housing markets were Indianapolis and Youngstown, Ohio – both with 91.0 percent of homes sold being affordable to families earning the areas' median household incomes of \$65,100 and \$52,000, respectively. New York was the least affordable market, with only 10.6 percent of the sold new and existing homes affordable to those earning the area's median income of \$63,000.

California dreamin'

In California, the percentage of households that can afford to buy an entry-level home is 53 percent. In the third quarter 2007, that number was 24 per-

cent, according to the California Realtors Association.

The minimum household income needed to purchase an entry-level home at \$287,760 in California is \$56,100. At \$56,100, the minimum qualifying income was 44 percent lower than a year ago, when households needed \$100,500 to qualify for a loan on an entry-level home.

NAR says the number of first-timers purchasing with no money down fell from 45 percent to 34 percent in the current survey, indicating tightening mortgage standards.

TRENDS

Builder Trying Rent-to-Own Program

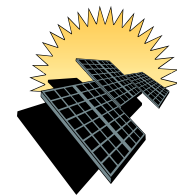


The national homebuilder Toll Brothers is expanding its new rent-to-own program in the hope of putting

more people into its inventory. The company has rent-to-own programs in Scottsdale, Ariz.; Singer Island, Fla.; Washington, D.C.; and in Pennsylvania. The program is being expanded to New York City.

Under the program, renters are allowed to put aside a portion of their rental payment toward the eventual purchase of the home. The amount going toward the home purchase varies from state to state.

"Green" Building Up Dramatically



The U.S. green building market is accelerating at a dramatic rate, says McGraw-Hill Construction's

Green Outlook 2009. The value of green building construction starts was up five-fold from 2005 to 2008 (from \$10 billion to \$36-\$49 billion), and could triple by 2013, reaching \$96-\$140 billion, according to the company.

"Green growth is phenomenal across the globe," said McGraw-Hill Vice President Harvey Bernstein. "The business opportunities afforded by green building, even in the midst of a global economic crisis, are real and recognized by industry players."



Company Insures Against Price Decline



An insurance company has begun a program that underwrites any drop in home prices between the time purchasers buy a home and the time they sell it. EquityLock Financial says, for instance, that if a customer purchases a home for \$300,000 and the market declines five percent, it will pay the buyer \$15,000 at the time they sell.

While the plans are currently available through builders and developers, EquityLock anticipates offering them directly to consumers in the coming months. For more information, see: www.equitylockfinancial.com

Traffic Building On Realtor.com



In what may be a good omen for the housing business, industry Web site Realtor.com is reporting an increase in both page views and time-on-site in recent weeks. Consumer traffic on the site has increased 31 percent. November 2008 traffic was up 35 percent compared to October. Visitors also viewed 14 percent more pages on Realtor.com.

"We're encouraged to see continued increases in page views. This trend confirms earlier findings indicating a pent-up demand in markets such as Stockton-Lodi, Calif.; Fort Myers-Cape Coral, Fla.; Las Vegas and Detroit," said site President Errol Samuelson.

IRS Mileage Deduction Has Declined

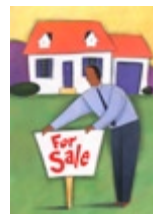


What goes up must go down. That holds true for gas prices and mileage deductions, as the IRS recently announced a new national per-mile business driving rate of 55.0 cents, effective January.

The 55.0 cents-per-mile standard is the

amount that a U.S. taxpayer can deduct for vehicle expenses on a 2009 tax return for business miles driven. The new rate compares to a rate of 50.5 cents-per-mile from January 1 through June 30, 2008, and a rate of 58.5 cents-per-mile from July 1 through December 31, 2008.

One in Four Baby Boomers Envision A 'Single Level' in the Future



A new survey sponsored by AARP shows that 26 percent of baby boomers expect to move from their current home as they grow older, with most of them looking for a dwelling with only one level.

Almost 80 percent of those responding to the survey said they would like to stay in their current home for as long as possible, but about 10 percent said they doubted they would be able to stay. According to the poll, 50 percent of boomers said when they do move, they will look for a newly built home. About 49 percent said they wanted a home that was smaller.

MORTGAGES

Most Upside-Down Homeowners Won't Go Into Foreclosure



A Federal Reserve study suggests fears may be unfounded that homeowners who are underwater on their mortgages will end up slipping into foreclosure, adding to the nation's troubled economy. The study, by the Boston Federal Reserve Bank, found that homeowners who were upside down on their mortgages in 1991 typically continued to make payments, hoping values would come back up.

The study found that just 6.4 percent of owners lost their homes to foreclosure over the next three years. "The vast majority of homeowners simply continued paying as usual because they focused on the affordability of their

payments, not on what they owed, and they believed home values would eventually recover," the study said.

HUD's New RESPA Rules Designed For Easier Mortgage Shopping



The Department of Housing and Urban Development has released its final rewrite of the 30-year-old Real Estate Settlement and Procedures Act, a revision that HUD officials say will make it easier for

homebuyers to shop for mortgages without significantly burdening real estate professionals.

The final version drops the proposed "script" that agents would have been required to read at closings. It also makes it easier to understand mortgage terms, as well as how mortgage brokers are compensated by yield spread premiums. HUD believes its new Good Faith Estimate (GFE) will save buyers up to \$700 at closing.

Critics note there is still no fixed time by which buyers must receive the HUD-1 statement. The fear is that if consumers receive the HUD-1 just before closing, it would be too late for them to compare the GFE to the HUD-1 and find a mortgage alternative. The new RESPA gives professionals until Jan. 1, 2010 to begin using the new forms.

'Hope Now' Assisting 100,000s per month



The Hope Now (www.hopenow.com) coalition of mortgage lenders and government-sponsored enterprises says it helped 225,000 at-risk homeowners

keep their homes in October, up from the 212,000 who were assisted the month before. The coalition says it has helped more than 2.7 million homeowners since the group was formed in July 2007.

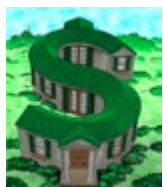
About half of the October workouts were repayment plans in which borrowers were given more time to make up delinquent payments. The remainder were mortgage modi-



fications in which borrowers had their loans rewritten — either at a lower interest rate or with rate caps, or at a longer period, from 30 to 40 years.

MARKETS

Report: Home Prices Back to Fundamentals



A new report suggests that homes are no longer overpriced in the vast majority of markets, but concludes prices will continue to fall in areas hard-hit by foreclosures — in many cases overshooting market fundamentals on their way down.

IHS Global Insight's quarterly report, *House Prices in America*, looks at historical home-price-to-income ratios in 330 metro areas. The latest report concludes that homes were fairly valued in all but 33 of those markets at the end of September.

Only three markets in the entire nation — Bend, Ore.; Atlantic City, N.J.; and St. George, Utah — are "extremely overvalued" and at risk of a substantial price decline of 10 percent or greater, the report said. That compares with a peak of 52 extremely overvalued markets in 2005.

That might sound like good news for prospective homebuyers worried about buying into a declining market. But the report looks primarily at affordability and does not directly consider factors that may send prices in a given market down further, such as rising unemployment, tightened lending standards, shrinking homeowner equity or delinquencies and foreclosures.

In other words, by looking at historical data and past price corrections dating back to 1985, the report attempts to determine what home prices should be if they behaved the way they have in the past — not where they may actually be headed.

"With no end in sight to the downward spiral of house prices, it is likely that long-anticipated market correction will now overshoot fundamental valuations on the downside," said James Diffley, group managing director of IHS Global Insight's Regional Services Group, in a statement.

In fact, the report suggests, prices may already be falling below what the market might otherwise bear. Homes are fairly valued in 226 markets, the report said, and undervalued in 71 markets — including places that have become synonymous with price declines and foreclosures, such as Las Vegas, Nev., and Stockton, Calif.

"Our study, though, leads to the conclusion that the prices required to clear real estate markets in this down-cycle are in many cases below long-term fundamental value," Diffley said.

Farmland Prices Continue to Grow



Farmland prices continue to go up even as residential and commercial properties are in steady decline, according to *The Christian Science Monitor*. The *Monitor* says nationwide farmland prices are up nine percent. In Iowa, it said, farmland prices are up 18 percent; in South Dakota, 21 percent; and in Illinois, nearly 100 percent.

Land prices have been increasing in part because corn is seen as an alternative to fossil fuels. Also, basic food prices have been on the rise. The *Monitor* notes, however, that as prices have increased, it is increasingly more difficult for young people to get into the farming business.

Most Metros Seeing Price Declines



NAR's third-quarter 2008 survey shows that four out of five metropolitan areas recorded lower home prices than a year ago. The trade association said 28 out of 152 metropolitan statistical areas showed increases in median existing single-family home prices compared to the third quarter of 2007. Four markets were unchanged and 120 markets declined.

NAR said distressed sales — foreclosures and short sales — accounted for 35 to 40

percent of transactions in the third quarter, pulling down the national median existing single-family home price to \$200,500. A year ago, when there were significantly fewer distressed transactions, the median price was \$220,300.

AGENTS' CORNER

Expired Listings: Forgotten Diamonds For the Taking



There is no money in listing homes. The minute agents sign a listing agreement, they are in a negative cash flow. By virtue of his/her signature, the agent is committing time, his/her company's marketing and brand expertise,

his/her own marketing expertise and all the peripherals that go along with that, with absolutely no guarantee any agents will enjoy any revenue.

"Where are the diamonds to be harvested in the roads we travel daily? The money is in short-sales, expireds and inventory that gets a kick into reality, repositions and sells. No matter where I am presenting, I hear the same thing again and again. When it is priced to inspire a jaded consumer, it moves," said Marilyn B. Schwartz, CSP, an expert in real estate and corporate sales training/management and team development.

Expireds are out there — desperate for an agent with true marketing skills to come along on a white horse and rescue them from the sea of misinformation, ineffective marketing, misleading pricing, etc. When a skilled pro comes along and meets face-to-face with a motivated seller, results happen.

"This is the right time for a motivated buyer and seller to be in the market. This is the best time for a well-qualified individual to acquire a dream-come-true home. This is the right time to kick the lookers and the 'listers' to the curb. This is the right time to demonstrate our expertise to those who have serious financial challenges, yet must find a way out of their present situations. That is what we do and who we are," said Schwartz.

How Much Multicultural Relational Equity Do You Have?



Since 2000, the market has seen a significant shift in the profile of consumers. The multicultural consumer has grown both in population size and in buying power. Organizations often do not factor multicultural initiatives into their overall strategic or business plans. Organizations often position multicultural initiatives as a “diversity/social advocacy” exercise, rather than a marketing or economic one.

“To show a measurable return on investment for multicultural programs, these efforts must be factored into any organization’s overall sales and marketing functions. By using broader organizational metrics, organizations can link multicultural business outcomes more effectively,” said Dan Carrillo, managing partner of The Gonz-

lez Group, a multicultural marketing consulting firm.

Given that ethnic diversity in the US is far more reflective of a global landscape, it is even more imperative for marketers to fully understand cultural differences, community influence, language treatments and purchase-drivers and to integrate those variations into their everyday marketing strategies and tactics.

Reaching the multicultural consumer requires providing reliable products, prompt and responsive service, knowledgeable front-line staff who are empowered to resolve problems, empathy with the customer, and an organization with a sense of community trusteeship. While these are mainstream “must-do’s,” they are much more important with the multicultural homebuyer.

“Multicultural marketing is not just about service and products. It is also about community trusteeship. Being perceived as a friend to the multicultural community is just as important as the service you provide,” said Carrillo. “Building relational equity only enhances your bottom line.”



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