

# Real Estate Digest

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## Surge in Optimism and Affordability Fuel Turnaround Hopes

**W**hat goes down must come up. And reports from various players within the industry indicate that the turnaround may be starting — or at least the decline is moderating considerably.

Both the real estate research site [Trulia](#) and the online brokerage [Zillow.com](#) report a surge in activity on their sites. Trulia reports that in the first half of 2009, property views increased by 90 percent over the previous year and page views were up by 83 percent, suggesting consumer interest in real estate is on the upswing.

The online brokerage [Zillow.com](#) reports receiving an

average of 8.3 million users per month in the first six months of the year, an increase of 67 percent over last year at the same period.

“We are seeing huge increases not only in visits, but also in consumers contacting agents and advertisers. This growth in leads gives us confidence about a stabilizing housing market,” said Trulia CEO Pete Flint.

### Record affordability

The National Association of Realtors reports that its affordability index hit 178.8 this year, the highest on record dating back to 1970.

“The improvement in house-price change from a steep decline to a more moderate one is consistent with other housing market data that point to the highest level of home-purchase affordabil-

ity in at least 40 years and a stabilization in existing home sales and single-family construction,” said Frank Nothaft, Freddie Mac vice president and chief economist.

This pattern was consistent across all nine regions of the U.S., with the rate of depreciation lessening in seven regions, and switching to modest appreciation in New England and the East North Central states.

And when exactly did we hit bottom? Freddie Mac marks it on its calendar as the first quarter of 2009.

### Rocky turnaround

But it’s not a smooth recovery from here, added Nothaft.

“Local markets that currently experience high levels of vacant-for-sale homes will continue to experience declines in prices over the coming year. Nonetheless, it is important to realize that some

local markets will experience stable or modestly rising prices even though the national metric may decline.”

A new survey by Housing Predictor confirms the optimism. Its report shows that nearly two-thirds of those polled believe home prices will recoup their losses and move toward record highs soon. The company says it accurately predicted the current housing downturn and foreclosure crisis.

## TRENDS

### Housing Starts Up As Inventory Thins



The National Association of Home Builders reports a substantial uptick in housing starts for multi-family homes, but says single-family homes also were up and



those increases tended to be nationwide.

“Having drawn down inventories to very thin levels over the past year, some home builders are now carefully replenishing their supplies in response to demand from smart buyers who are taking advantage of low interest rates and prices,” said NAHB President Joe Robson.

Single-family housing starts gained 7.5 percent in May, breaking the 400,000 mark for the first time since November 2008 to reach a seasonally adjusted annual rate of 401,000 units. Meanwhile, starts in the much more volatile multifamily sector posted a 77 percent gain.

## Mayflower Says Moves Are Getting Lighter



Americans are lightening up when it comes to moving, be it across town or across the country.

The Mayflower moving company says the average weight of a household move has decreased over the past four years, indicating that Americans are increasingly downsizing their personal belongings.

The average move for Mayflower weighed in at 6,751 pounds in 2008, a decrease of 2 percent from 6,830 pounds in 2007. Mayflower’s average moving weight has decreased by nearly 10 percent since the study began in 1997.

## Most Buyers Fret Over Down Payment



Eighty-two percent of would-be homebuyers believe saving enough for a down payment is still their biggest

obstacle to buying a home.

The study, the NAR’s 2009 National Housing Pulse, also found that two-thirds

of Americans are worried about their jobs and are reluctant to move until the economy stabilizes.

The survey showed that 83 percent of those polled still believe homeownership is a worthwhile goal and 75 percent acknowledged that now is a good time to buy.

“Monetizing the \$8,000 first-time buyer tax credit for down payment or closing costs on FHA-insured mortgages is a positive first step. Our hope is that the tax credit will be extended and expanded to all home buyers and will help bring stability to the housing market and enable more Americans to achieve the dream of homeownership,” said NAR President Charles McMillan.

## Economist: Optimism, Not Bad Loans, Triggered Recession



A report released by a former official of the New York Federal Reserve Bank suggests sheer optimism had more to do with the collapse

of the housing market than easy credit standards over the past 15 years. James Kahn, a former vice president of the New York Fed, writes that while there is much blame to be spread to many sectors, a chief culprit of collapse was the optimism of American workers, who believed their wages would rise as their productivity rose.

Kahn argues workers watched corporate profits go up in the mid-90s all the way through the early part of this decade and believed they would share in that wealth. Because of that belief, they over-bought on housing and consumer goods, going deep into debt but believing their wages would catch up eventually. Kahn believes lax lending standards were an effect of the optimism.

## ‘Mommy, Daddy, I Want To Sell Real Estate’



The online real estate school RealEstateExpress reports it is seeing an increasing number of post-high school students contacting it concerning how to obtain a real estate license.

“Young post-high schoolers are re-evaluating the traditional career path of college and seeking an alternative that is more expedient, less costly, and affords a faster way to make money,” said RealEstateExpress owner Geoff Thompson. “If this trend continues, we should expect to see a much younger, much hipper, much more technologically enabled real estate agent.”

## MORTGAGES

### Appraisers to HUD: Try Again, Please



The Appraisal Institute has asked HUD to rescind regulations regarding appraisal management companies (AMCs), saying an unintended consequence

of the regulation has been that consumers pay more for less service on FHA loans. HUD’s Mortgagee Letter 97-46 details its policy governing appraisal fees and the use of third-party entities providing appraisal and management services.

The Appraisal Institute said the limiting of management fees to “no more than” the customary fee for an appraisal has driven competent appraisers away from FHA and other mortgage programs.

“The loss of these seasoned professionals is adding unnecessary and substantial risk to the FHA program,” the AI said.



## CEOs Want Tax Credit Expanded



The Housing Working Group of the Business Roundtable is calling on the Obama Administration to increase the

homebuyer tax credit to \$15,000, expand the credit to all homebuyers, and work to keep home mortgage rates below five percent. Realty CEO Richard Smith, who also chairs the Working Group, applauded administration efforts thus far but said more can be done to improve housing, which in turn would add to the health of the economy.

The Business Roundtable is comprised of CEOs from the nation's largest companies.

Its Working Group recommends raising the tax credit from \$8,000 to \$15,000 and making all homebuyers eligible to receive it — not just first-time buyers. It also would like the Federal Reserve to manipulate mortgage rates to keep them below five percent for at least the next year.

## Florida County to Begin Buying, Selling Foreclosed Homes



Officials in Volusia County, Fla., hit hard it by the housing crisis, have agreed to spend \$5.22 million

in emergency federal funds to buy homes at risk of foreclosure, and will use local real estate agents to resell the properties. The county will buy approved homes that are single-family dwellings, townhomes or condominiums, which must be listed for sale at no more than \$189,750. Also, the homes must be unoccupied and owned by the lender.

Qualified buyers will be first-time

homebuyers with a median income of \$52,300 for a four-person household, \$47,085 for a three-person household, and \$41,830 for a household of two.

## MARKETS

### California Buyers Motivated by Price Declines



A California Association of Realtors survey shows that 68 percent of recent California buyers were motivated to buy because of price declines, and 39 percent indicated they were spurred into a decision by low interest rates.

Forty-nine percent of buyers purchased a home through a traditional market sale, while 38 percent purchased a REO/bank-owned property. Only 13 percent said they had purchased a “short sale” property.

Homebuyers who purchased a REO or bank-owned property said they experienced the highest level of difficulty in obtaining financing, compared with a more traditional transaction. REO buyers rated the level of difficulty as 8.9 on a 10-point scale, compared to 7.7 for buyers in the traditional market.

### Declines Continue to Affect NYC



The Real Estate Board of New York reports the average sales price of a home in New York City — including coops, condos and one-to-three family homes — fell 22 percent to \$644,000 in the second quarter of 2009.

Manhattan showed the biggest declines, with average home sales prices falling 19 percent to \$1,297,000, followed by Queens, where average home sales prices

dropped 13 percent to \$403,000 and Brooklyn, where prices fell 12 percent to \$503,000.

Average prices for coops and condos declined by 23 percent to \$771,000, again with Manhattan leading the fall with a drop of 19 percent to \$1,248,000.

### Glut of Luxury Homes Dampens Prices



The national inventory of luxury homes is increasing even as prices in the top tier are beginning to weaken.

The Institute for Luxury Home Marketing's National Luxury Market Report found that inventory is up 20 percent in the first five months and average days-on-market has increased 14 percent to 185 days. And 41 percent of luxury listings have had a price reduction in the prior 90 days. The median price for homes in the study was \$1.2 million.

Institute founder Laurie Moore-Moore said the credit crunch, stringent loan requirements, job losses and shrinking investment portfolios have combined to weaken the sector.

“Add the number of individuals who stretched to buy expensive homes using inappropriate loans, and one can conclude that the luxury market will be getting even softer,” she said.

### Many Sales Prices in Dallas Being Kept Confidential



The *Dallas Morning News* reports that an increasing number of brokers, buyers and sellers are withholding final sales prices from the MLS — making it difficult for appraisers and other consumers to accurately gauge the housing market.

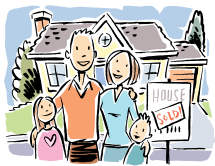
The newspaper said in some cases sales associates are only reporting listing prices,

rather than sales prices. Texas is one of a handful of states that does not require final sales figures to be reported.

Insiders told the paper that some sellers are embarrassed by how little they've accepted for their homes, and buyers don't want people to know how much they've paid. The *News* also said there was concern about providing specific data to tax authorities.

## AGENTS' CORNER

### Easy Ways to Cultivate First-Time Home Buyers



If you've been in the business for any length of time at all, you know this handy rule of thumb: the first home is purchased to end renting and to build some equity. The desire for a second home usually begins when the family starts to grow. The third home is usually the dream home.

"If you like repeat business and referrals, it's imperative to build your relationships with targeted young first-time buyers. Consistent communication to this young group is key," said Chris Kaucnik, marketing director for Home Warranty of America, Inc.

Since first-timers average around 32 years of age, these clients will crave and need information about caring for their biggest investment. Here are some easy ways you can get started fulfilling their needs:

- ✱ Take note of what they focus on upgrading in the home. "Send an e-mail or give them a call with a trusted vendor of yours for the project. Or just send them vendors on a timely basis," said Kaucnik. A good example is HVAC vendors before heating and air-conditioning seasons.
- ✱ If you feel it's appropriate, invite them to join you on your favorite social network. "This is a great way to get to know them better and get referrals, too."

- ✱ E-mail them when a larger home in their neighborhood lists or has sold. "They will be interested, and you may spark a discussion about moving up."
- ✱ Invite them to subscribe to your blog or news articles on your website, which discuss new homeownership, maintenance, remodeling or other related topics. "Better yet, send them links to your articles or others that may be of interest."

Kaucnik adds that it's a good idea to keep meticulous notes on each family. "The more you personalize your communications, the more effective they will be for you," he said.



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