

# Real Estate Digest

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January • 2010 Volume 36 • Number 1



## Housing Industry Poised to Fuel Economic Recovery

### Sustaining the gains

Taken together, the reports show how two long-depressed sectors of the economy are enjoying something of a rebound.

In a particularly promising sign, employment at manufacturers swung from contraction to expansion, with that index rising to 53.1 from 46.2. It had been in negative territory for the previous 14 months.

Still, analysts are skeptical that the improved reading on factory hiring reflects any lasting momentum in the job market, as a variety of other indicators point to continued hard times for workers. The signs in manufacturing are not universally positive. The number of new orders, a forward-looking indicator, edged down recently, though it remained at levels that indicate expansion.

The improvement in the housing market has also helped manufacturing. An uptick in construction, though modest, has helped increase demand

for lumber, carpeting, drywall and other materials that go into houses.

“You’re seeing some legs to the expansion,” said Daniel Meckstroth, chief economist for the Manufacturers Alliance. “The rebound was pervasive across most major industries, which suggests this growth should have some staying power.”

### TRENDS

### Inventory Decline Leads to Leveling of Home Prices



ZipRealty reports the listing inventory in 27 major markets declined by 2.82 percent in October 2009, compared to September, and was 28.65 percent below where it was a year ago. The company said it was the 16th consecu-

**T**wo sectors that led the collapse of the economy over the past two years—manufacturing and housing—are now emerging as among the biggest drivers of growth.

During the fall of 2009, manufacturers expanded at their fastest rate in more than three years. The Institute for Supply Management’s index of manufacturing activity rose to 55.7 from 52.6 in September. Numbers above 50 indicate that the sector is expanding, and the index has now been above that level for three straight months.

The nation’s factories have been ramping up their assembly lines to keep up with demand after cutting production aggressively over the past year. They have received a boost from businesses moving to replenish inventories, a cycle that typically helps propel the economy out of recession, in addition to

government policies such as “Cash for Clunkers” that have helped spur demand for their products.

### Housing rebound

Separately, the National Association of Realtors said that pending home sales rose 6.1 percent in September, following a 6.4 percent increase in August. That is the latest piece of evidence that home sales activity, while still far below its highs of earlier in the decade, is not merely leveling off but is rising at a steady clip. Construction spending, meanwhile, rose 0.8 percent in September, the Commerce Department said.

Housing has also benefited from government policies as the combination of low prices, low mortgage rates and an \$8,000 first-time home-buyer tax credit have coaxed Americans back into the market for houses.



tive month the number of homes for sale declined.

The largest month-to-month drops occurred in Las Vegas, down 5.8 percent; Minneapolis, down 5.3 percent; and Chicago and Seattle, down five percent each. Two Arizona markets, Phoenix and Tucson, both recorded inventory increases—four percent and two percent, respectively.

Meanwhile, the Case-Shiller Home Price Index suggests home prices are still down but appear to be leveling off. The index levels for the researcher's 10-City and 20-City composite indices show that average home prices across the United States were at similar levels to where they were in the autumn of 2003.

From the peak in the second quarter of 2006 to April 2009, the 10-City Composite is down 33.5 percent and the 20-City Composite is down 32.6 percent. With the relative improvement of the past few months, the peak-to-date figures through August 2009 were -30.2 percent and -29.3 percent.

## 'Brain Gains' for High-Tech Cities



Unlike career seekers before them, many college graduates are passing up industrial centers and former hotspots in the Southwest,

which have been hit hard by the recession, in favor of life in urban, high-tech meccas. Their moves are fueling a resurgence of brainiacs in parts of California, North Carolina and Texas.

Census data offer the first detailed look at U.S. migration data, broken down by education and income, since the recession began in late 2007. The data covering 2006-2008 show that Austin, Texas; Portland, Ore.; Charlotte and Raleigh, both in North Carolina, and Seattle saw large jumps in residents with at least a college degree. Each offers the promise of specialized tech jobs and hip lifestyles.

San Francisco, with its burgeoning bio-

tech industry, saw significant increases in residents with advanced-level graduate degrees. Houston, home to NASA and several medical centers, saw gains in more educated residents but also those with only a high-school degree.

In contrast, metropolitan areas with high rates of foreclosures, less tech-based economies or increasing unemployment saw declines or slower rates of growth in residents with a college degree or higher. They included Los Angeles, Atlanta, Orlando, Fla., as well as New Orleans, Detroit and Cleveland.

"During this economic downturn, young, educated professionals are heading for the high-tech 'cool' metros rather than the fast-growing upstarts of the mid-decade," said William Frey, a demographer at Brookings Institution, who analyzed the data. "The investment in knowledge industries and young professional amenities in places like Austin, Raleigh and Seattle is now paying off."

According to the data, cities with higher levels of education did not always translate to the highest incomes. Austin, Seattle and Charlotte all saw large gains in the number of residents who earned an income of \$65,000 a year or more. But they were outpaced by places such as Bakersfield, Calif., and Sun Belt regions such as Phoenix and Las Vegas, which had larger jumps in richer residents.

Frey attributed the differences to younger college graduates in the high-tech areas who are moving up the career ladder and have not yet reached their peak levels of income.

## Ohio Offers Low-Rate Loans To Keep College Grads



The state of Ohio has begun operating a "Grants for Grads" program that offers low-interest loans to the state's college graduates in an effort to get them to stay in Ohio.

A study has shown that because of high unemployment, Ohio has an annual net loss of more than 5,800 bachelor's degree holders

and almost 2,900 graduate degree holders.

To qualify, graduates must be first-time homebuyers with incomes below 140 percent of the recipient's local median income. Graduates will get a 5.5 percent interest rate on their mortgages, compared to six percent rates with other state homeownership programs.

## MORTGAGES

## Government Web Site Helps Homeowners Overcome Mortgage Problems



The government's consumer Web site, [www.Making-HomeAffordable.gov](http://www.Making-HomeAffordable.gov), provides detailed information about many programs available to help homeowners at risk of foreclosure.

Its goal is to stabilize the market and help the seven to nine million at-risk American homeowners reduce their monthly mortgage payments to more affordable levels.

The Web site provides self-assessment tools and calculators to empower borrowers with the resources they need to determine whether they might be eligible for a modification or a refinance under the Obama administration's program. Unemployment benefits can be taken into account in determining eligibility for loan modification refinancing.

The benefit period for several types of unemployment benefits has been extended recently, up to nine months in some cases. New loan modification programs created through the American Recovery and Reinvestment Act of 2009—such as the Making Home Affordable Program—allow mortgage companies to utilize nine months of a homeowner's unemployment insurance income as part of determining his or her qualifications for a loan modification.

Through October, 650,994 delinquent borrowers have received help, or 20 percent of those potentially eligible, according to the Treasury Department.

In addition, borrowers can also connect



with free counseling resources to help with outstanding questions; locate homeowner events in their communities; find a handy checklist of key documents and materials to have ready when making that important call to their servicer, as well as FAQs from borrowers in similar circumstances.

## Fannie Mae Offers Rent-Back In Lieu of Foreclosure



Fannie Mae is reaching out to homeowners in foreclosure, offering them a chance to rent back their homes rather than be evicted. Borrowers must live in the home as their primary residence and must be released from any subordinate liens on the property.

Borrowers also must be able to document that the new market rental rate is no more than 31 percent of their gross income. Leases under the new program may be up to 12 months, with the possibility of term renewal or month-to-month extensions after that period. Under the “Deed for Lease” program, borrowers transfer their property to the lender by completing a deed in lieu of foreclosure, and then lease back the house at a market rate. For details on the program, go here: [www.efanniemae.com](http://www.efanniemae.com).

## Foreclosures Seen Rising in New Areas



The foreclosure marketing company RealtyTrac has released its latest report, showing that cities in California, Florida and Nevada accounted for the 10 highest foreclosure rates in the country.

The good news was that in five of those 10, the pace of foreclosures is decreasing compared to last year at this time. CEO President James Saccacio said areas that had shown resistance to the housing crisis in the past are beginning to feel it now. He said Boise, Idaho, and the region around Salt

Lake City both saw large increases in foreclosures during the third quarter, largely due to unemployment increases. Las Vegas continued to have the highest foreclosure rate, with one in every 20 homes receiving a foreclosure filing.

## MARKETS

### International Buyers Squeezed by Credit Crunch



Interest in U.S. real estate by international buyers declined due to the worldwide recession and severe credit crunch, according to the 2009 National Association of Realtors Profile of International Home Buying Activity.

The share of foreign buyers is smaller than in previous years, but among those purchasing, nearly half paid all cash—bypassing the mortgage process. Twenty-three percent of survey respondents served at least one international client in the 12-month period between the end of May 2008 and the end of May 2009, down from 26 percent in the 2008 study. During this period an estimated 154,000 homes were sold to foreign nationals, which is down from approximately 170,000 international transactions during the previous 12 months.

The median price for a home bought by foreign buyers for the year ending in May 2009 was \$247,100, higher than the overall national median price of \$198,100 in 2008. A significant number, 45.8 percent, of foreign buyers paid cash for their property, in part because obtaining a mortgage was more difficult than in prior years. The total dollar volume was \$38.7 billion.

Lawrence Yun, NAR chief economist, said recent improvements in the credit market will help reverse the slide in foreign buyers.

The top five countries of origin for foreign buyers were Canada, with 17.6 percent of buyers; the United Kingdom, 10.5 percent; Mexico, 9.8 percent; India, 8.5 percent; and China, 5.4 percent. The percentage of buyers

from Canada, the U.K. and China declined from the previous study, while purchasers from Mexico and India increased.

Foreign buyers were active in every state and the District of Columbia, with the most popular states being Florida, which accounted for 23.0 percent of all foreign purchases; California, 13.0 percent; Texas, 10.7 percent; and Arizona, 7.1 percent. These states are major gateways into the U.S. from other countries and also offer relatively mild climates.

California saw a notable rise in foreign interest as affordability conditions improved markedly in the state last year. “Florida is the most popular state for European and Latin American buyers, while Asian buyers are drawn to California,” Yun said.

The study shows 69 percent of international purchases were single-family homes, while condos accounted for 18 percent. Townhomes made up eight percent of transactions, with commercial property at 4 percent. Nearly 46 percent of properties were in suburban areas and 25 percent in urban environments. The rest were evenly split between resorts and small towns or rural areas.

The prime purpose for purchasing a property in the U.S. is to use it for a vacation home, cited by 33.9 percent of respondents; for both investment and vacations, 23.5 percent; as a residential rental property for investment, 18.3 percent; and commercial property for investment, 3.5 percent.

## AGENTS' CORNER

### How to Write Craigslist Ads That Get Results



There are lots of places to spend your time and money when it comes to marketing, and one place that is worth your while is creating online classified ads for [Craigslist.com](http://Craigslist.com).

There is a big difference, however, between an ad that represents the information and one that captures contact information

and leads, according to real estate coach Sean Callahan.

"When you write an online classified ad, it is important to make sure that you include more than just the listing information in the ad itself," Callahan said.

For example, you may want to add a "Search All Homes" link, "Sign Up for Auto Email Listings" link and a "CMA request" link in addition to the listing.

"Remember that getting traffic to a website or an online classified is only half the battle—the more important component is *converting traffic into leads*. You can capture many more leads from your online classified ads if you get these links in your ads," said Callahan.

The title lines and headlines are important places to add keywords you want to rank under. "Real estate for sale" and "homes for sale" are two of the best key phrases, but "condos for sale" "townhomes for sale" are also good depending on the type of property you are selling.

"In addition to setting up the ad title and headline with keywords, it also helps if you can add a paragraph of text about the community at the bottom of the ad,"

suggests Callahan.

The description needs to be only a paragraph or two but it helps by adding some supplemental content for the area the home is selling in and sets you up as a consultant, not just a seller.

"By getting online classifieds to rank in Google," said Callahan, "you can really start generating some good *free* traffic without doing pay-per-click."

## California Realtors Click With Social Networking



Forty-six percent of California realtors are involved in some kind of social networking, with the most popular sites being LinkedIn (34 percent), YouTube (13 percent) and MySpace (12 percent), according to a membership survey by the California Association of Realtors.

In the last few years, a growing number of members used various sites to get information about real estate, including:

Zillow.com (72 percent); Craigslist.org (46 percent); and Yahoo! Real Estate (55 percent).

The members said about 55 percent of their business passed through the Internet in 2009, compared to 48 percent in 2008.



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