

# Real Estate Digest

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## What's It Worth Anyway? Solving the Pricing Dilemma in an Unsettled Market

**I**t's the moment of truth. Anxious home sellers want to know how much they'll get for their property and anxious agents want to price it just right. Priced too low and the sellers may seek out a more "accommodating" agent. Priced unrealistically high to please the sellers and the agent risks not selling the house or losing the listing a few months down the road after significant investment.

The dilemma is more pressing than ever, according to the lead-generation site [HomeGain.com](http://HomeGain.com). The company's recent survey found the gap has widened between what homeowners believe their homes are worth versus what sales professionals believe they can sell for.



### The perception gap

According to a poll of 3,500 consumers and 900 sales associates nationwide, roughly 75 percent of homeowners believe their properties should be priced higher than recommended.

Looking forward, the poll also found that 47 percent of professionals and 49 percent of owners believe home values will remain flat to the end of the year. About 28 percent of owners believe values will go up, compared to only 20 percent of brokers.

More than 33 percent of professionals believe home prices will

decline in the next six months while 23 percent of consumers believe prices will fall.

### The right price

What's the best way to find the right price and land the listing? Prepare yourself with the facts and engage potential sellers in pricing discussions early on. Here's a toolbox to help:

★ **Comparable Listings and Sales.** Look at every similar home that was or is listed in the same neighborhood over the past six months within a 1/4-mile to a 1/2-mile radius. Pay attention to neighborhood dividing lines and physical barriers such as major streets, freeways or railroads. Compare similar square footage, within 10 percent up or down from the subject property, if possible.

★ **Withdrawn & Expired Listings.** Look for patterns as to why these homes did not sell and the common factors they share.

★ **Pending Sales.** Since these are pending sales, the sales prices are unknown until the transactions close, but that

doesn't stop anybody from calling the listing agents and asking them to tell you. Some will. Some won't. Make note of the days on market, which may have a direct bearing on how long it will take before you see an offer.

★ **Active Listings.** These matter only as they compare to your listing, but bear in mind that sellers can ask whatever they want. To see what buyers will see, suggest that sellers tour these homes. Have them make note of what they like and dislike.

Getting the price right is only one half of the equation. Getting sellers to agree is both a science and an art.

## TRENDS

### Is This the Dawn of The "Urban Century?"



Goodbye housing tracts and strip malls, hello small urban centers. At a recent meeting

of the Urban Land Institute of Minnesota, Senior Fellow John McIlwain said "a new normal" will be created in the housing market over the next 10 years, and he marked the end of "the suburban century."



He noted that markets offering “a vibrant 24/7 lifestyle” will see the most robust activity, “net-zero-energy” units will become the norm, and the rental market will expand as homeownership rates fall to more historic levels.

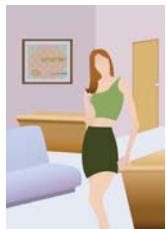
Suburban town centers will gain popularity among those wanting an urban lifestyle without living in a big city.

Over the next decade, McIlwain said four demographic groups will fuel the housing market.

- ✱ Older baby boomers increasingly are moving back to the central city.
- ✱ Younger baby boomers are finding it more difficult to relocate for jobs because they cannot sell their suburban houses.
- ✱ Millennials are more environmentally aware and will seek urban lifestyles.
- ✱ Immigrants who cannot afford large suburban houses to shelter multiple generations will increase demand for rentals.

With 1.5 million housing units per year needed to accommodate the shift to normal levels of household formation, McIlwain said zoning, financing and regulations need to be rethought to meet housing demand.

## Single Buyers Remain Committed to Homeownership



More than 53 percent of single homeowners reported that they purchased a home because it was more cost effective than renting in their area, while 68 percent of single homeowners purchased a home

that was less expensive than they believed they could have afforded to pay, according to a survey by Coldwell Banker of 1,000 single buyers.

Other findings from the report:

- ✱ Some 55 percent have less than a 30-minute commute to their office or work from home.
- ✱ Singles don't shy away from foreclosures — especially single men. Thirty-eight percent would currently consider purchasing a foreclosed/short sale home, compared to 29 percent of single women.
- ✱ Of the 13 percent of single home-

owners who own their home jointly with another person, 49 percent made the purchase with their parents. Forty percent live less than 30 minutes or even in the same neighborhood as their parents or extended family. An additional 12 percent live with at least one family member.

✱ Number of bedrooms is important to 27 percent of single women, while only 18 percent of men were concerned.

## Generational Shift: Sizes of New Homes Going Down



The Census Bureau reports the size of new single-family homes is down to a national average of 2,438 square feet, reduced from its peak of 2,521 square feet in 2007.

The size of new homes generally had been growing over about three decades before stalling in 2007, remaining flat in 2008, and declining last year, the government agency said. Average square footage also stalled briefly in the mid-'80s during a housing recession.

Experts at the NAHB said the downturn in home size is likely to be long-lasting, reflecting efforts to curb energy use, the increase in the number of first-time buyers purchasing new homes and the increase in the number of baby-boomers seeking single-floor homes to avoid stairs.

## More Foreign Buyers Investing in U.S. Homes



Foreign buyers increasingly are snatching up U.S. homes. A NAR survey from April 1, 2009 to March 31, 2010 found that buyers with residency outside the United States purchased \$66 billion of U.S. residential property — about seven percent of the residential market.

The Realtors' Profile of International Home Buying Activity cited the weakness of the dollar, the value and desirability of U.S. real estate, and the emerging economic recovery as key attractions to foreign buyers.

The survey also found that 28 percent of Realtor members said they had worked with at least one international buyer in the past year.

## MORTGAGES

### Consumer Loan Delinquencies Fall To 2002 Levels



In what many consider to be a sign of economic recovery, the American Bankers Association reports consumer loan delinquencies dropped in the first quarter of this year to the lowest level since 2002.

The ABA said delinquencies fell to 2.98 percent of all accounts from 3.19 percent the prior quarter. Delinquencies are defined as a payment that is 30 days or more past due.

The ABA said home equity loan delinquencies fell for the first time in two years to 4.12 percent of all accounts.

“It's clear that consumer balance sheets are improving. People are borrowing less, saving more and building wealth. These are all positive signs,” said ABA Chief Economist James Chessen.

### Minorities Disproportionate Victims of Foreclosures



The Center for Responsible Lending reports 17 percent of Latino homeowners and 11 percent of African-American homeowners have lost properties

to foreclosure in the past three years or are at imminent risk of losing their properties.

It projects losses will continue to mount through 2012, potentially driving down property values by more than \$350 billion in minority communities alone — damage that it says exceeds the losses of Hurricane Katrina.

Civil rights groups say the numbers indicate lenders focused their predatory lending on minority communities.

The foreclosure counseling service NeighborWorks America says an extraordinarily high number of Hispanic homeowners are seeking



counseling, compared to other minorities and whites. The government-funded service also says Hispanic homeownership has dipped in the past year, while homeownership among other minorities and whites has remained relatively flat.

Hispanics now make up eight percent of the nation's homeowners, down three percentage points in the past year. African Americans account for nine percent of homeowners and Asian-Pacific Islanders comprise about four percent.

NeighborWorks CEO Ken Wade said the number of Hispanics seeking counseling is a direct result of predatory lenders targeting that community.

## Delinquencies Hitting The Rich Hardest



The housing crisis has squarely hit upper-class Americans who own homes valued in excess of \$1 million — with more than one in seven loans delinquent. An analysis by *The New York Times* and CoreLogic found

that more than 14 percent of loans in excess of \$1 million were seriously delinquent, compared to a little more than eight percent of loans of less than \$1 million.

According to the newspaper, "Though it is hard to prove, the CoreLogic data suggest that many of the well-to-do are purposely dumping their financially draining properties, just as they would any sour investment."

### INDUSTRY

## Yahoo, Zillow in Partnership To Challenge Realtor.com



The online brokerage [Zillow.com](http://Zillow.com) has announced a partnership with the international search engine [Yahoo.com](http://Yahoo.com) that will put some four million listings

in Yahoo's real estate section and provide the search engine easier access to potential advertisers on the local level — including brokers and

sales agents.

The combination is seen by some as a challenge to [Realtor.com](http://Realtor.com), the nation's No. 1 listing site. Zillow COO Spencer Rascoff said, "This new partnership creates the opportunity for agents and brokers to reach one of the largest audiences of homebuyers online when they list a home or purchase an ad."

According to the Web data collector ComScore, [Realtor.com](http://Realtor.com) receives about 12 million users per month, compared to seven million for Zillow and six million for Yahoo's real estate section.

### MARKETS

## Farmland Prices Continue to Move Up



Bellwether Iowa farmland prices continue to push upward, largely driven by investors seeking a safe haven from investments in other kinds of real estate, according to Farmers National Co. of Omaha.

The company said much of the acreage is above its 2008 price and in some cases has moved to over \$7,000 per acre. A Farmers National spokesman said few farms are going on the market currently, meaning prices are likely to go higher.

## Gulf Property Values Victim of the Spill



Property values along the oil-impacted Gulf Coast are likely to be down about 10 percent for the next three years, said the real estate data company CoStar Group. Overall losses along the 600-mile stretch of beach could reach \$4.3 billion.

"The best thing you can do if you're in real estate in this area is bide your time, don't panic and don't try to sell in this environment," said CoStar Vice President Norm Miller.

## Top Ten: Most Affordable Popular Retirement Locations



The real estate downturn has turned some very popular retirement destinations into bargains.

To determine where the prices are most attractive, *U.S. News & World Report* examined price-to-income data for 384 metropolitan statistical areas. This expresses the relationship between owner income and home values.

Here are 10 retirement havens where homes are most affordable by this measure:

- |                      |                      |
|----------------------|----------------------|
| 1 Bend, Ore.         | 6 Sante Fe, N.M.     |
| 2 Napa, Calif.       | 7 Punta Gorda, Fla.  |
| 3 Fort Meyers, Fla.  | 8 Phoenix            |
| 4 Fayetteville, Ark. | 9 Santa Cruz, Calif. |
| 5 Las Vegas          | 10 Burlington, Vt.   |

### LAW

## EPA Delays Mandatory Lead-Based Paint Certification



The EPA has decided to delay until Oct. 1 enforcement of its new "Lead Renovation, Repair and Painting Rule" to give building professionals more time to get trained and certified in the removal

of lead-based paint. The rule affects an estimated 79 million homeowners. The EPA said it was delaying enforcement because remodelers in many parts of the country have been unable to obtain the required training.

While remodelers, electricians, heating and air conditioning technicians and other contractors are expected to adhere to lead-safe work practices, enforcement of the rule will not begin until Oct. 1.

## Desperately Seeking Fool-Proof Video



The popularity of those palm-sized video recorders continues to grow. They're especially popular with real estate agents who can now shoot their own home tours quickly and inexpensively.

At the same time, many users are experiencing a learning curve after realizing there's more to it than simply "point and shoot."

To give realtors a hand, Stephen Schweickart, co-founder of VScreen, has come up with an acronym to ensure easy success – SLAP.

The "S" stands for stability. And that means use a tripod.

"Smooth and steady is what you're looking for—not something that looks like the Blair Witch Project. And while you're at it, invest in a tripod with what's called a fluid head, because it makes panning from side to side, or tilting up and down, much smoother," said Schweickart.

Next comes the letter "L," which stands for lighting. Rule Number One, don't point your camera directly into bright light. The iris will immediately try to adjust by darkening the picture.

"Instead, shoot with light coming over your shoulder, or streaming in from the side. Lighting up a room with table and floor lamps is usually okay, but watch out for sunlight coming in through large windows," said Schweickart.

"A" stands for audio, because whether you're narrating your own video tour or recording a testimonial from someone else, it has to be clearly understood. Speak up and practice recording voices at different distances from the mic. And it's always best to use an external lapel mic if possible.

"Also, watch out for background noise like air conditioners, traffic, barking dogs, radios, TVs and cell phones. Oddly enough, they're often overlooked during the recording, so always double check."

And finally, "P" is for perspective. These palm-sized cameras are best for up close and personal—not taping the Grand Canyon or your kid's baseball game.

"Remember, those video screens on the Internet are small, so your subject matter

needs to be close at hand. Above all, avoid the temptation to use the zoom. Instead, simply move closer to the subject you're recording," Schweickart added.



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