

Real Estate Digest

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Homeownership Aspiration Remains Strong Among Americans

Most Americans—both those who currently own their homes and those who rent—strongly aspire to own a home and to maintain homeownership, despite ongoing turmoil in the housing market.

Demographic trends, however, such as fewer married couples and fewer families with children — combined with financial caution among consumers — are contributing to an increased willingness to rent, according to a new study by Fannie Mae.

The Housing Survey is an ongoing research initiative that regularly surveys Ameri-

cans' attitudes about housing. The most recent installment showed that aspirations toward homeownership remain strong—well in excess of current homeownership rates—but decisions to buy are tempered by consumers' cautious attitudes toward home buying in the current financial environment and a more conservative housing finance environment.

Desire remains

According to the study findings, 51 percent of current owners and renters say that the housing crisis has not affected their



overall willingness to buy a home. However, while home-ownership aspirations are high for the long term, Americans have near-term doubts about buying. Overall, one-third of Americans (33 percent) would be more likely to rent their next home than buy, up from 30 percent in January 2010. Among renters, 59 percent said they would continue to rent in their next move, compared to 54 percent in January 2010.



“Despite Americans’ strong desire to own their homes, the study reveals that life events are greatly influencing families’ decision to rent. This trend, coupled with the housing crisis, has caused consumers to approach homeownership with greater caution and thoughtfulness,” said Doug Duncan, Fannie Mae vice president and chief economist.

Shifting lifestyles

Fannie Mae’s research analysis indicates that shifting U.S. demographic and lifestyle trends correlate to consumers’ housing decisions, which may have long-term implications for the housing market. For example, married couples historically have been more likely to own than other households, but traditional married couples are a shrinking portion of the population. Additionally, having children has increased the propensity to own a home, historically, although many families with children (particularly single mothers) are currently renting because of financial constraints, and the percentage of households with children is declining overall.

“The data in the analysis aligns with what we’re seeing in the market. More Americans are viewing rental housing as an attractive and sustainable housing option. But over the long term, these consumers are interested in owning their own home,” said Ken Bacon, executive vice president of Fannie Mae’s Multifamily Mortgage Business.

For more information, visit www.fanniemae.com.

TRENDS

Freddie Mac: Upbeat Predictions for 2011



Five features will likely characterize the 2011 housing and mortgage markets, according to Freddie Mac:

- 1 Low mortgage rates.** With Fed observers expecting the central bank to keep the federal funds rate at its current target range of 0 percent to 0.25 percent for most (or all) of 2011, relatively low mortgage rates will be a feature of the 2011 mortgage market. Thirty-year fixed-rate loans are likely to remain below five percent throughout the year, and initial rates of 5/1 hybrid adjustable-rate mortgages will likely remain below 4 percent in 2011.
- 2 Prices have hit bottom.** House prices are likely to begin a gradual but sustained recovery in the second half of 2011.
- 3 Housing will remain affordable.** With affordability high, many first-time buyers will be attracted to the housing market in 2011, likely translating into more home sales in 2011 than in 2010.
- 4 Refinances will dwindle.** Many eligible borrowers have already refinanced. While fixed-rate loans are likely to remain low, they will move up gradually, making it even less likely that refinances will be attractive to most homeowners.
- 5 Delinquency rates will decline.** Based on the last several business cycles, the share of loans that are 90 or more days delinquent or in foreclosure proceedings — known as the “seriously delinquent rate” — generally crests within a year of the start of the recovery in payroll employment, and this economic recovery appears to fit within that pattern.

Affordability Still at Historic Highs



The National Association of Home Builders reports home affordability remains at historically high levels, with 72.1 percent of all new and existing homes affordable to families earning the national median income of \$64,400.

“With interest rates remaining at historically low levels, and house prices starting to stabilize, homeownership is within reach of more



households than it has been for almost 20 years,” said Home Builders Chairman Bob Jones.

Indianapolis was the most affordable major housing market, where 93.3 percent of all homes sold were affordable to households earning the area’s median family income of \$68,700.

The New York City region continued to be the least affordable market, where only 22.6 percent of homes sold were affordable to those earning the area median income of \$65,600.

More Singles Buying Homes



The Census Bureau reports the average household size declined to 2.59 in 2010, from 2.62 people in 2000, at least partially because the number of one-person households increased during the same time period, from 25 percent in 2000 to 27 percent in 2010.

The report noted the median age of a first marriage increased to 28.2 for men and 26.1 for women in 2010, from 26.8 and 25.1 in 2000.

The Bureau also said the percentage of households headed by a married couple with children under 18 living with them declined to 21 percent in 2010, down from 24 percent in 2000.

Buyers Show Growing Interest in Tiny Houses



The tightly built, tiny home is one small segment — no pun intended — of real estate sales that is doing relatively well.

For instance, the Tumbleweed Tiny House Co., which designs and builds homes that are less than

500 square feet, has gone from selling 10 blueprints to 50 blueprints a year. The Tiny House Blog attracts 5,000 to 7,000 visitors a day. A new firm, Little House on the Trailer, has sold 16 houses this year for \$20,000 to \$50,000 each.

Contractor Stephen Marshall, who owns Little House on the Trailer, says, “A lot of families are moving in with one another. A lot of young people can’t afford to move out. There’s just a lot of economic pressure to find an alternative way to provide for people’s housing needs.”

MARKETS

Fed Keeping Watch on Rising Farmland Prices



The Federal Reserve Bank of Kansas City reportedly is watching the steady rise in the price of farmland, concerned that a bubble may be in the making, similar to the one that drove up home prices during the 2000s, before collapsing in 2007.

The Fed reports the price of cropland is up 12 percent over the past year and ranch land is up five percent.

Insiders say, however, that while there has been some land speculation, most of the price increase is attributable to the rising price of food, which in turn has made cropland more valuable.

Those brokers also note the weaker harvests in Russia and other food-producing countries have helped push up the cropland values in the United States.



Commercial Real Estate Prices Show Gains



Green Street Advisors, an independent research firm, reported that its commercial property price index rose 2 percent at the end of last year and was up 30 percent from the industry low in 2009.

“Half of the decline in values that occurred from 2007 to 2009 has been eradicated. Nevertheless, values remain roughly 20 percent shy of their peak,” said Mike Kirby, director of research for Green Street.

Unlike many indices, which are based on closed transactions, Green Street records transactions as they go under contract.

Waco Named Best City For Military Retirees



The insurance and banking giant USAA and the website Military.com have named Waco, Texas, as the best place in the nation for military retirees.

The list was developed based on proximity to military hospitals, state taxation of military pensions, and general features such as quality of life and housing costs.

The remainder of the top 10 cities:

- 2 Oklahoma City, Okla.
- 3 Austin, Texas
- 4 College Station, Texas
- 5 Harrisburg, Pa.
- 6 San Angelo, Texas

- 7 Madison, Wis.
- 8 Pittsburgh, Pa.
- 9 New Orleans, La.
- 10 Syracuse, N.Y.

Military.com said there were about two million military retirees as of 2009.

MORTGAGES

New Standards Protect Appraisers From Coercion



Federal agencies have released what is expected to be the final version of property appraisal guidelines, including the warning that lenders may not “coerce, influence, or otherwise encourage” an appraiser to misrepresent a property’s value.

The rules were released by the Federal Reserve, the Office of the Comptroller of the Currency, FDIC and others. Under the new guidelines:

- ✱ Banks cannot give the appraiser any expected or qualifying estimate of value.
- ✱ Banks cannot specify a minimum value requirement for the property that is needed to approve the loan or as a condition of ordering the valuation.
- ✱ Banks cannot tie an appraiser’s compensation to loan approval.
- ✱ Banks can’t blacklist an appraiser if his or her valuations fail to meet expected thresholds.

Conforming Loan Limits Remain the Same



The Federal Housing Finance Agency has announced that maximum conforming loan limits for mortgages originated in the first nine months of 2011 will remain unchanged from loan limits for 2010 originations.

The limits are generally \$417,000, but can reach as much as \$729,750 in certain high-cost areas of the country.

THE INDUSTRY

FSBO Sales Continue to Fizzle



For-sale-by-owner (FSBO) transactions reached a record low, accounting for 9 percent of sales in the 2010 study, down from 11 percent in 2009, according to the 2010 National Association of Realtors Profile of Home Buyers and Sellers. The share of homes sold without professional representation has trended down since reaching a cyclical peak of 18 percent in 1997.

Factoring out private sales between parties who knew each other in advance, such as family or acquaintances, the actual number of homes sold on the open market without professional assistance was a record low 5 percent—the rest were unrepresented sellers in private transactions. The market share of open-market FSBOs was half of what it was six years ago—10 percent were sold on the open market in 2004.

The median home price for sellers who used an agent was \$199,300 vs. \$140,000 for a home sold directly by an owner, but there were important differences. The median income of unassisted sellers was

\$64,000, in contrast with \$93,200 for agent-assisted sellers. Unassisted sellers were much more likely to be selling a somewhat smaller home, and they were more likely to be in a rural area. Combined, these factors suggest a lower value for FSBO properties.

The most difficult tasks reported by unrepresented sellers are getting the right price, preparing and fixing the home for sale, understanding and performing paperwork, and selling within the planned length of time.

HUD Launches Massive New Housing Data Site

The U.S. Department of Housing and Urban Development unveiled a new website that consolidates a wide variety of economic and housing market data at the regional, state, metropolitan area and county levels.

The new website employs interactive maps that allow visitors to access a variety of reports — from a region-wide look at employment and housing activity to individual county-level figures on population trends, rental activity and vacancy rates.

“This is a powerful new tool that’s easy to use and offers the public a remarkable look at their local economic and housing markets,” said Dr. Raphael Bostic, HUD’s Assistant Secretary for Policy Development and Research. “Current and reliable data shouldn’t be hard to come by. This is precisely why this site will be so helpful to state and local leaders, developers, the real estate industry, and the general public who need the latest available data on their markets.”

HUD’s new website displays an interactive map of the U.S. allowing visitors an intuitive way to seek data in a number of areas of geography — from an entire region down to a particular county. In particular, the portal offers the following reports:





- * “Market at a Glance” reports contain economic and housing market data trends for every metropolitan area and county nationwide, with employment data updated on a monthly basis.
- * “Regional Housing Market Profiles” are based on the quarterly U.S. Housing Market Conditions report and include non-farm employment, population changes and building activity. These regional profiles also focus on the most recent housing rental and sales activity for the past two years.
- * “Regional Narratives” are broad overviews of economic and housing market trends within ten regions of the U.S.
- * “Comprehensive Housing Market Analysis” — Periodically, HUD field economists focus on particular metropolitan housing markets to produce counts and estimates of employment, population, households and housing inventory. The site can be found at www.hud.gov/datamap.

The site uses data from the Census Bureau, Labor Department, state and local governments, housing industry sources, as well as HUD’s own field economists.

AGENTS’ CORNER

Five Ways to Use Mobile to Your Advantage



If you need further proof that the world is going mobile, consider this: smartphone sales are growing 30 percent year over year, and sometime within the next three years smartphone sales will surpass global PC sales. Meanwhile, mobile Web adoption is increasing eight times faster than it did 10 years ago on desktops, and there are more Google searches being made on mobile devices in

emerging countries than on desktops.

With mobile technology on the forefront, here are five ways you can utilize and benefit from mobile in your personal and professional life.

1 Text to Win: Retailers, brands and advertisers everywhere are now running contests in which all you need to do to enter is send a text message. Gone are the days of fill-out forms and tear pads. Guinness Beer recently ran a contest in which bar-goers could rate their pint via text message and simultaneously enter to win a home pub!

2 Text for Info/Alerts: Instead of waiting to receive coupons in the mail/newspaper or searching for information online, now simply text in and instantly get information back on your phone and/or receive ongoing text alerts. In the real estate industry, mobile solution providers have programs that allow homebuyers to text in and instantly receive property information while providing the listing agent with real-time alerts.

3 Text to Donate: When tragedy strikes, as it did in Haiti last year, one of the quickest, most efficient ways to help is to donate cash. Mobile solution providers and carriers have teamed up to allow people to text in and donate to various relief efforts right on their phone. Donations are simply added to the user’s cell phone bill.

4 Event Mobile: Next time you’re traveling for business, check to see if your conference or golf trip has implemented a mobile program that allows you to receive text alerts about meetings, nightlife and prizes. Attendees always have their mobile devices handy, making this the perfect way to communicate.

5 Mobile Internet: With mobile Web adoption growing at astronomical rates, businesses are quickly realizing that they must be able to provide clients and prospects the proper experience on the mobile phone. This can mean creating a mobile website that formats specifically for any and all mobile browsers or an application that can be downloaded to the phone and operates on the phone’s particular operating system.

Judicial Title



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