

Real Estate Digest

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Wealthy Buyers Re-Emerge in Real Estate

The rich are returning to the real estate market and are taking advantage of big bargains in luxury homes. Sales of million-dollar homes and condos increased last year and into this year in all 20 major metro areas — with some cities seeing an 18.6 percent increase in high-end home sales, according to DataQuick Information Systems. The increase follows four consecutive years of declines of million-dollar homes.

The market that fared the best in high-dollar real estate: San Jose, Calif., which boasted a 27.4 percent increase last year in sales of million-dollar homes. Honolulu also saw a big spike in million-dollar sales — a 26 percent increase — as well as New York, where million-dollar home sales rose nearly

25 percent.

In Washington, D.C., million-dollar home sales grew by 20 percent, as government workers continued to help the high-end real estate market there. Washington, D.C., has recently been ranked as one of the highest paid cities, as well as best educated place in the country.

Other cities with big gains in million-dollar home sales include San Diego (14 percent) and Nashville (13 percent).

“It hasn’t been a good six months for all people, but it was a good six months for rich people,” Glenn Kelman, CEO of Seattle-based real estate brokerage Redfin, told CNN-Money. “When Wall Street goes up, rich people buy homes.”



Trickle down?

Meanwhile, real estate data provider Clear Capital is reporting that even though home prices declined 1.4 percent in the first quarter of this year compared to the first quarter of last year, prices are up 4.2 percent over where



they were two years ago.

“Despite distressed inventory pressure and traditional winter inactivity, current trends are continuing to show a softening of price declines,” said Dr. Alex Villacorta, director of research and analytics at Clear Capital.

“The last quarterly decline we observed has given way to moderating declines with the national price index now down only 1.4 percent, suggesting a leveling of prices is on track for spring.”

Foreclosures down

Another good sign that a recovery is on the way: foreclosures are declining. RealtyTrac’s latest report on home foreclosures shows a 14 percent decline from the previous month and a 27 percent decrease from February 2010. The report showed one in every 577 U.S. housing units with a foreclosure filing during the month. Nevada, Arizona and California continue to post the highest foreclosure rates, with 1 in 119 housing units in Nevada in foreclosure, 1 in every 178 in Arizona and 1 in every 239 in California.

TRENDS

Better Buildings Incentive Encourages Commercial Buildings to Go Green



In his State of the Union address, President Obama proposed new efforts to improve energy efficiency in commercial buildings across the country. Last year, commercial buildings consumed roughly 20 percent of all energy in the U.S. economy.

The Better Buildings Initiative will create a series of incentives to upgrade offices, stores, schools and other municipal buildings, universities, hospitals and other commer-

cial buildings. They include:

- ✱ New tax incentives for building efficiency: The President is calling on Congress to redesign the current tax deduction for commercial building upgrades to encourage building owners and real estate investment trusts (REITs) to retrofit their properties.
- ✱ More financing opportunities for commercial retrofits: The Small Business Administration is working to encourage existing lenders to take advantage of recently increased loan size limits to promote new energy efficiency retrofit loans for small businesses.
- ✱ Streamlined regulations: Much of the authority to alter codes, regulations and performance standards relating to commercial energy efficiency lies in the jurisdiction of states and localities. The President’s budget will propose new competitive grants to states and/or local governments that streamline standards, encouraging upgrades and attracting private sector investment.

Size of Down Payments Up Dramatically



The Wall Street Journal reports that its survey of banks in nine major cities indicates the median down payment is now 22 percent, almost double what it was just three years ago.

The *Journal* linked the high down payments to tighter lending standards by banks.

The newspaper also noted that the Obama administration is calling for higher down payments on conventional loans — seeking a 10 percent threshold on mortgages covered by Fannie Mae and Freddie Mac.



Six Most Promising Real Estate Markets



Here are the six cities expected to lead the housing rebound this year, according to Inman News and other sources:

Washington-Arlington-Alexandria, D.C.-Va.: The metro area was one of the few markets to see year-over-year gains in its home prices.

- * Median sales price (Q4 2010): \$331,100
- * Median sales price % change (Q4 2009-Q4 2010): 8.1 percent
- * Foreclosure activity rate (2010): one in 49 units

Buffalo-Niagara Falls, N.Y.: This metro area for the last year has boasted a low delinquency rate and one of the lowest foreclosure rates in the country. It also has one of the fastest-rising median list prices in the nation.

- * Median sales price (Q4 2010): \$126,500
- * Median sales price % change (Q4 '09-Q4 '10): 14.3 percent
- * Foreclosure activity rate (2010): one in 322 units

Des Moines, Iowa: The city has a low unemployment rate and one of the highest projected job growth rates for the third quarter of 2011.

- * Median sales price (Q4 2010): \$151,300
- * Median sales price % change (Q4 '09-Q4 '10): 5.5 percent
- * Foreclosure activity rate (2010): one in 79 units

Portland-South Portland-Biddeford, Maine: The Maine community has plenty of reasons for making the list, including a low unemployment rate with projected job growth, a rising median sales price, and high affordability.

- * Median sales price (Q4 2010): \$223,000
- * Median sales price % change (Q4 '09-Q4 '10): 8.3 percent
- * Foreclosure activity rate (2010): one in 150 units

Kennewick-Richland-Pasco, Wash.: Rising household income and a rise in the median price helped this Washington metro make Inman's list.

- * Median sales price (Q4 2010): \$183,000
- * Median sales price % change (Q4 '09-Q4 '10): 8.9 percent
- * Foreclosure activity rate (2010): one in 161 units

Fargo, N.D.: This North Dakota community is becoming more desirable with its low unemployment (about four percent), which is



lower than nearly any other state in the nation (the national average is about nine percent).

- * Median sales price (Q4 2010): \$148,500
- * Median sales price % change (Q4 '09-Q4 '10): 6.2 percent
- * Foreclosure activity rate (2010): 1 in 7,423 units

Half of Vegas Deals Are Cash



The Las Vegas Association of Realtors report 51 percent of home sales in the area in January were cash purchases — mostly investors and foreign nationals — possibly the first time anywhere more than half of homes were bought without mortgages.

“These smart-money buyers are voting with their pocketbooks on the future of our local housing market,” said local Realtor President Paul Bell. “It shows domestic and worldwide interest in real estate here because we’re seeing many international investors buying property here at an amazing rate.”

Over the past year, the number of cash buyers had been going up in Las Vegas, to finally top 50 percent. Nationally, about 28 percent of home purchases are cash deals.

The median price of a single-family home in Las Vegas is \$125,000, while the median condo and townhouse price is \$64,900.

INDUSTRY

Agents Open Down Payment Wedding Registry



Two entrepreneurial real estate agents have opened a down payment website for couples considering matrimony to allow them to “register” their wedding and collect donations.

The website is HomefortheHoneymoon.com, and agents Cristina Carrick and Patricia Kiteke say about 250 couples have signed up so far.

The agents specialize in first-time homebuyers, many of whom can afford a mortgage but often have a hard time coming up with the down payment. Their wedding registry includes details of the upcoming nuptials and the wedding party.

‘RealBird’ Tags Homes with URLs



Real estate marketing company RealBird (www.realbird.com) has launched a mobile website that can be accessed either through a QR (“Quick Response”) code or an agent’s customized URL.

The mobile site is available to the company’s RealBird Pro subscribers who pay \$99 a year. The subscription also includes property search powered by Oodle.com, syndicated single-property websites, and social media marketing tools,

among other offerings.

For the mobile site, subscribers can reserve city subdomains, such as CoralGables.RealBird.com, on a first-come, first-served basis at no additional cost. The site shows the agent’s listings, photo, profile, and



a link to his or her outside website or blog. Under a “Real Estate News” section, consumers can see the agent’s latest blog posts. An inquiry tool allows consumers to schedule showings or request property information.

“Not that long ago, aerial maps, map-based search, single-property websites and blogging were novel — today they are standard on most agents’ websites. Now social media and mobile access is [sic] gaining widespread adoption,” said Gabe Gross, RealBird’s CEO, in a statement.

The site is optimized for smart phones and tablets that run on major operating systems, such as those created for Apple, Android, BlackBerry, Palm and Windows devices, among others.

Survey: Agents Continue to Be Important to Transaction



In what might seem obvious to agents, a study by the MRIS multiple listing service in the mid-Atlantic region finds that 53 percent of those polled believe that working with a real estate professional is even more important today than just a few years ago.

The poll found that only five percent believed that working with a sales associate was less important. The survey also found that 68 percent of buyers and sellers rated their agent with a six or seven on a seven-point satisfaction scale, and 80 percent said they would recommend their agent to a friend or family member.

About 48 percent of those surveyed said they found their agent by way of referral from friends or family members, and 35 percent found their agent through online resources.

MORTGAGES

Banks Launch Programs To Aid Military Families



Following a recent move by J.P. Morgan Chase, Bank of America Corp. announced it has launched a new program geared to reducing loan balances for military borrowers who are struggling to pay their mortgages as they leave active duty.

Many of the banks’ measures go beyond protections already provided to military borrowers in the Servicemembers Civil Relief Act (SCRA). The SCRA forbids foreclosures on active-duty military members and caps interest rates at six percent.

Bank of America’s aid program for military borrowers helps servicemembers departing active duty and who no longer are covered by the SCRA. It reduces the balance on home loans to “as low as 100 percent of the current market value” and offers reduced interest rates and extended terms to repay the loan. For active-duty military, interest rates have been cut to four percent.

J.P. Morgan Chase also announced it has cut interest rates for active-duty military members to four percent and it would not foreclose on any active-duty military personnel, even those who are not protected by SCRA. It also promised more loan modifications would be available to military borrowers who are struggling to make payments.

Both bank programs began April 1.



HARP Program Extended Through June 2012



Fannie Mae and Freddie Mac will continue to refinance qualifying borrowers who have lost equity in their home without requiring additional mortgage insurance for another year under the Home Affordable Refinance Program, or HARP.

HARP, which was scheduled to expire June 30, will stay open for business for another year, and Freddie Mac will exempt the refinancings from recently announced price increases, the Federal Housing Finance Agency said in announcing the one-year extension.

In addition, Fannie Mae is extending its previous Jan. 1, 2009, eligibility date by four months, and will consider HARP refinancings of loans made before May 1, 2009.

AGENTS' CORNER

Keep Your Social Media Campaigns Safe and Legal



Real estate firms can get into potential trouble with social media because most brokers have not yet created strategies or documented plans as they have with traditional forms of marketing, according to George “Gee” Dunsten, president of Gee Dunsten Seminars, Inc.

“The risks inherent in social media run the gamut from minor embarrassment to seriously damaging your firm’s reputation by simply saying something stupid, inadvertently bashing a competitor, posting incorrect information, bad grammar, inappropriate photographs, etc. That’s why the first step in creating a social

media policy for your firm must focus on eliminating the ‘play time’ and focusing on the content put forth,” said Dunsten.

Use the following guidelines in your social media policy for all employees in your office:

- 1 Sharing information. Explain what is meant by “posting,” then break that down into content, photography, statistics, etc. As it cascades down, make sure agents are being respectful, that their information is correct and that they are providing sources where appropriate.
- 2 Ethics. Make sure your policy has friendly reminders not to say something about another real estate agent through a Tweet, post, etc. This can always come back to bite you later on.
- 3 Legal cause and potential liability, such as antitrust. Make sure the policy clearly states that commissions cannot be discussed through social media. All copyright laws, such as those for Google images, must also be obeyed.
- 4 Disclosures and disclaimers. If agents are expressing views more narrow in focus than perhaps the standard opinion, they might need to include a disclaimer along the lines of, “My personal views do not reflect the views of the company.”
- 5 Approval of social media marketing materials. Just as you have rules governing newspaper ads and newsletter templates, you should also have policies regarding blogs and websites to ensure they meet company standards.

Four Red Flags That Send Buyers Running



How you present a listing online and the words you choose to describe it may be turning off some buyers. Bankrate.com recently asked real estate professionals to weigh in on what listing red flags are turning off their buyers.



1 No photos. One red flag in many buyers' eyes is the lack of photos for a listing. There can be some legitimate reasons for few (or no) photos in a listing: The sellers want privacy, or they have valuables they don't want in the photos. But many would-be buyers — rightly or wrongly — assume that there's something wrong. Experts recommend about a dozen photos for listings and that photos match the home's description and showcase its best features.

2 Outlandish claims. Referring to the listing as the best property on the market might not be a good idea. Some buyers may be turned off to begin with and some will inevitably be disappointed if the claim doesn't live up to their expectations. Better yet, focus on adjectives that are flattering to the property but leave some room for interpretation.

3 Priced too low. You want to price the property competitively but pricing too low may make some buyers suspicious or attract unqualified buyers. Typically, multiple buyers will be attracted to the low asking price and eventually the sales price will climb close to market value as competing offers bid up the price. However, the strategy is not without risk, since some buyers will be alienated by a potential bidding war.

4 Listing a property "as is" in the description. It may not be a deal breaker, but seeing "as is" in a listing makes buyers more cautious. Some buyers take the "as is" phrase as the "previous owners stole everything including the kitchen and bathrooms."

Judicial Title



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