

# Real Estate Digest

800 Westchester Ave,  
Suite S-340  
Rye Brook, New York 10573  
Tel: (914) 381-6700  
Fax: (914) 381-3131



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## Looking Back on a Decade of Dramatic Real Estate Developments

in November 1999 to \$172,600 in November 2009. Fewer people are buying detached, single family homes—82 percent in 1999 compared to 78 percent in 2009—but more people are buying homes in suburban neighborhoods—46 percent in 1999 compared to 54 percent today.

Buyers themselves have also changed. A smaller proportion of married couples are buying homes these days; while married couples comprised 68 percent of all home purchases at the beginning of this century, they represent 60 percent of all buyers today.

Single men and women have made up the difference—single men purchased 10 percent of all homes last year, compared to only 7 percent 10 years ago. Single women now represent more than one-fifth of all homebuyers, up from 15 percent in 1999.

Other things haven't changed. The median age for homebuyers last year was 39, just as it was in 1999. Neighborhood quality, affordability and convenience to work and school have consistently been top priorities for

both past and present buyers. And eight out of 10 recently surveyed consumers believe that owning a home is an investment in their future.

### Looking ahead

What can you expect in the next few years? On the technology front, Joseph Ferrara, a real estate analyst, predicts increased reliance on technology in the property industry.

He expects agents will take advantage of mobile video text-messaging to send virtual tours and slideshows to clients and a sharp increase in the number of agents using Facebook to design pages for themselves, neighborhoods and local events that target their fans in the hopes of generating new business.

Among other trends, Ferrara predicts video e-mail, Web sites that allow agents to bid on listings, and services that allow buyers to quickly obtain home details by pointing cell phone cameras at a bar code on a posted "For Sale" sign or magazine advertisement.

### MORTGAGES

## Four in 10 Recent Buyers Used FHA Loans



Just fewer than 40 percent of recent buyers purchased a home with a Federal

Housing Administration-insured loan, according to the National Association of Realtors' most recent Confidence Index. The report also found that the number of first-time homebuyers continued to climb and stood at 51 percent at the end of 2009.

"FHA helps provide affordable mortgage financing to home owners, particularly first-time home buyers who are so important in drawing down inventory to help stabilize the current housing market," said NAR President Vicki Cox Golder. "These recent survey results reaffirm that, despite its current challenges, FHA is a critical part of the American housing fabric."

**W**hat a difference a decade makes. At the beginning of the 21st century, most home buyers had never viewed a home online; the three top home sale marketing methods were yard signs, newspaper ads and open houses; and nearly nine out of 10 buyers financed their purchase with a fixed-rate, 30-year mortgage.

Consider that in 1999, buyers who went online in search of a home were in the minority—only 37 percent of buyers used the Internet in their home search, according to studies. Today, 90 percent of buyers are searching online.

### Median values up

Median home values over the past decade have increased more than 25 percent, from \$137,600



## Study: Mortgage Rates to Rise Slightly By End of 2010



What will happen to mortgage rates in the next few months? Mortgage rates will rise, but most financial observers say it is very likely they won't skyrocket.

Keith Gumbinger, a vice president at financial publishers HSH Associates, predicts that rates will rise about three-quarters of a point for a 30-year conforming loan—somewhere in the mid-five percent range. By late 2010, Gumbinger says the rate will be closer to six percent.

Michael Larson, a real estate analyst at Weiss Research, is dubious. "And as long as the Fed continues to dominate that market, we're not really going to move the needle on rates," Larson says.

### TRENDS

## Report: Home Prices Likely To Hit Bottom This Month



Home prices in 45 of the largest U.S. housing markets are expected to hit bottom this month, according to First American CoreLogic's Loan Performance Home Price Index.

By October 2010, prices are expected to be heading upward again by about one percent compared to 2009.

The report warned that this progress could be jeopardized by an increasingly large "shadow inventory" of homes owned by banks but not yet on the market. The problem is particularly acute in Michigan and Ohio cities, the report said. It projected a 12.7 percent further decline in values in Detroit, an 11.4 percent decline in most of the rest of southeast Michigan, and a 6.3 percent fall in Cleveland.

The report expects the strongest recoveries next year in California cities. These include:

- \* San Francisco, up 5.7 percent
- \* Los Angeles, 5 percent
- \* San Diego, 4.7 percent
- \* Sacramento, 4.6 percent

## Census: Americans Stayed Put in 2009



Fewer Americans moved in 2009 than any other year in the decade, the U.S. Census Bureau reported.

Population also grew less in 2009 than any other year since the turn of the 21st century. It reached 307 million on July 1, up less than one percent from a year earlier, the bureau says. About 850,000 people immigrated from other countries, down 15 percent compared to 2006.

The losers in this trend included Florida, which lost 31,000 people to other states, a first for the Sunshine State, which used to be No. 1 in attracting new residents.

"The ... huge surge to the Sun Belt stopped on a dime," says demographer William Frey of the Brookings Institution.

Demographers say real estate is one of the big reasons people are staying put.

"People are trapped," says Yi Zhao, senior forecasting coordinator for the Census Bureau in the State of Washington. "They can't sell their house or they have a hard time getting credit for a new one."

Census numbers suggest the immigrant market is the greatest future potential niche—adding one person every 37 seconds. From July 1, 2008, to July 1, 2009, Texas gained more people than any other state, 478,000, followed by California (381,000), North Carolina (134,000), Georgia (131,000) and Florida (114,000). Only three states lost population, Michigan (-0.33 percent), Maine (-0.11 percent) and Rhode Island (-0.03 percent).

## Agent Good News & Bad: Commission Rates Up, but Commission Dollars Down



A Bloomberg news agency analysis of numbers from National Association of Realtors and RealTrends indicates that while real estate agent commission percentages moved up in 2008, the total amount of dollars going to real estate sales associates

was down considerably.

According to the news service, total commission dollars were down 6.2 percent to \$40.6 billion in 2008. Commission rates, however, moved up to about 5.29 percent, compared to 5.26 percent the year before.

The news agency said total commission dollars were down because home prices were so low—driving the national median price to \$178,000—and first-time homebuyers dominated the market.

## New Rebates Available for ENERGY STAR Appliances



Starting this month, your clients hoping to sell their homes can make a few last-minute upgrades at considerably discounted

prices. Many states are rolling out rebates and discounts on purchases of new ENERGY STAR-qualified appliances.

These rebates are being funded with \$300 million from the American Recovery and Reinvestment Act of 2009. Under this program, eligible consumers can receive rebates to purchase new energy-efficient appliances when they replace used appliances.

More than 70 percent of the energy used in our homes is for appliances, refrigeration, space heating, cooling and water heating. Replacing old appliances and equipment with those that are ENERGY STAR® labeled can help American families save significantly on their utility bills. Each state and territory may select its own set of ENERGY STAR-qualified products to rebate. The U.S. Department of Energy (DOE) has recommended that states select from among the following appliances:

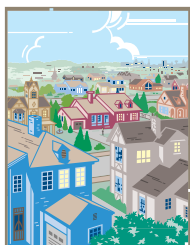
- \* Boilers
- \* Central air conditioners
- \* Clothes washers
- \* Dishwashers
- \* Freezers
- \* Furnaces (oil and gas)
- \* Heat pumps (air source and geothermal)
- \* Refrigerators
- \* Room air conditioners
- \* Water heaters



Each state and U.S. territory has its own rebate program, and all 56 have submitted plans to the DOE. See [www.energystar.gov](http://www.energystar.gov) for more info.

## MARKETS

### Cities Where Housing Is on the Mend



No cities have totally avoided the foreclosure crisis, but some were able to sidestep the worst of it. And these markets are now recovering quickly.

The recovery is swiftest in those areas that didn't have as much of a housing price run-up to begin with, either because the economy in those areas has stayed healthy or the economy has been limited for decades and residents have adapted or left.

To identify places where the recovery has begun, *Forbes* magazine examined the number of loans that were foreclosed in the 100 largest metropolitan statistical areas. Then it calculated the percentage of loans that are descending further into delinquency vs. those that are improving. The lower the deterioration ratio, the higher the ranking.

Here are the cities that fared best by that measurement and are recovering the most quickly:

- 1 Harrisburg-Carlisle, Pa.
- 2 Austin-Round Rock, Tex.
- 3 Ogden-Clearfield, Utah
- 4 Buffalo, N.Y.
- 5 Knoxville, Tenn.
- 6 Raleigh, N.C.
- 7 San Antonio, Tex.
- 8 Syracuse, N.Y.
- 9 Salt Lake City, Utah (Tied)
- 10 Moline, Ill.
- 10 St. Louis
- 10 Wichita, Kan.
- 10 Rochester, N.Y.

### Tax Incentives Help Move-Up Market



About 20 percent of homeowners recently surveyed by Coldwell Banker said they would be more likely to consider buying a home in 2010 so they could take advantage of the government's tax incentive program.

The tax credit gives qualifying current homeowners until April 30 to contract for a home. Coldwell Banker also asked potential buyers what they would do with the money saved. It said 86 percent of those polled would use it to reduce debt, make home improvements or help with everyday household expenses. About six percent said they would use the money to buy luxury items.

### Ultra-Cheap Homes Sitting on the Market



The City of St. Paul reports it has been unable to sell some homes even at bargain basement prices because not enough potential buyers are willing to put in enough money to bring the properties up to code.

The Housing and Redevelopment Authority reports homes costing as much as \$50,000 and as little as \$1 still haven't had takers. Officials said before the city can allow someone to take a house, individuals must prove they can pay for the often quite-high repairs that are needed for occupancy permits.

## LAW

### IRS Sets New Rules For Tax Credit



The IRS has spelled out guidelines for eligibility for the homebuyer credit when co-borrowers purchase a property.

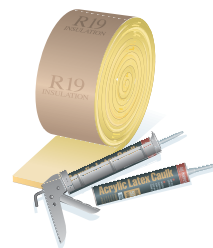
When a home-owning

parent of an adult child co-signs for a mortgage and both names appear on the note, the IRS says that under some circumstances, the first-time homebuyer can qualify for the whole amount.

The IRS says the parent doesn't qualify for any portion of the credit, but if the child hasn't owned a home during the three years preceding the current purchase and can qualify based on income, he or she can be allocated the entire \$8,000 credit.

When unmarried individuals co-purchase a home and only one of them is eligible for the credit, then the full \$8,000 can be allocated to the eligible buyer.

### Builders Applaud Obama 'Cash for Caulkers' Program



The National Association of Home Builders is applauding President Barack Obama's call for more energy-efficient homes. The NAHB believes that as government incentives improve, more homeowners will initiate energy-efficiency remodeling projects that, in turn, will mean more jobs for builders.

NAHB estimates that 11,000 jobs, \$527 million in wages and salaries and \$300 million in business income are generated by every \$1 billion in new remodeling and home improvement activity.

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### Illegal Landlord Sues To Collect Illegal Rent



In what can only be described as a dramatic case of chutzpa, a man broke into an abandoned home in Mineola, N.Y., rented it out, and then went to court for back rent when his tenant did pay up.

Authorities say Ozell Neely, 45, who legally rents properties to a number of low-income families, broke into a boarded-up home that had no running water nor a door on the refrigerator and rented it to a tenant, while promising to make the needed repairs.

After paying some \$10,000 in rent over several months, the tenant stopped paying because the repairs were not made. Neely then took him to court for back payment.

Neely was arrested after the real owner of the property learned what was happening.

## AGENTS' CORNER

### Touting the Big Pluses Of Buying a Small Home



Got a smaller home to sell? You are in luck—McMansions are out; smaller homes are in.

“People are realizing they can live with less. In addition, first-time buyers represent a large

block of buyers today with the \$8,000 tax credit—and typically, a first-time buyer starts out with a smaller home,” said Mary Hutchison, a real estate broker in Kansas City.

Buyers are attracted to the simplicity and affordability offered in a smaller home. These homes are typically more affordable and energy-efficient. Buyers see that their choice of a home is a way to control costs.

Locking into a fixed-rate loan on a smaller home—one that doesn't take two incomes to support—is a good investment and a controlled expense.

Often, the smaller homes are within walking distance to many amenities that buyers want: locally owned shops, a small grocery store and the bus line.

So if you have a smaller home to sell, don't fret. Play up the positives of the smaller space. Have this information ready for buyers:

- \* Property tax info compared to a larger home nearby
- \* Monthly utility bill averages (and any energy-saving appliances or features of the home)
- \* Info regarding access to public transit
- \* Maps showing schools, parks and shops within walking distance
- \* Smaller yard equals less outdoor maintenance and more free time.

“In helping sellers prepare the inside of the home for the market, remember that decluttering a small home is even more important than decluttering a larger home,” said Hutchison.

Be sure each room has an obvious, primary function and play it up—a kitchen is

for cooking, the dining room is for dining and doesn't double as an office. Closets should be organized and neat with some open space. Use lighter colors on the walls and keep lighting focused yet cozy—not harsh.

“Make each room feel comfortable and welcoming, which is much easier to do in a smaller space than a large room with soaring ceilings,” says Hutchison.



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