

Real Estate Digest

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Demand for Vacation Homes Is on the Rise

Sales in many vacation communities across the U.S. soared last year to levels not seen since boom times, driven by deep discounts, cash purchases and buyers' rising stock portfolios, reports *The Wall Street Journal*.

On Mercer Island, Wash., for example, waterfront sales nearly tripled in 2010, compared with a year earlier, reaching par with 2006 volume there. Sales on Hilton Head Island, S.C., rose 14 percent for the year. Palm Beach, Fla., experienced a 40 percent annual increase and a 54 percent increase in homes under contract, indicating an especially strong fourth quarter. Palm Beach sales volume now is comparable to its 2007 peak. These figures were gleaned by brokers

in each locale.

"The proverbial train has left the station," said Ned Monell, an agent with Sotheby's International Realty in Palm Beach. "We haven't felt energy like this in a long time. Buyers sense that they've been on the sidelines long enough."

The question now is whether the momentum will last. The strength of second-home sales paints a stark contrast to the overall housing market, which is expected to remain flat for at least the first half in 2011.

Data for the nationwide vacation-home market aren't tracked regularly. The National



Association of Realtors conducts an annual survey of investment and vacation home buyers, but results for 2010 won't be out until later this month.

Yet the market for vacation homes, based on local sales data, appears to be booming. The comeback, NAR economist Lawrence Yun said, has been helped by gains in the stock market and an improving economy,



which have made wealthier Americans more upbeat about the future.

“It also implies that prices in some markets have come down so much that people are fighting for those properties,” said Mr. Yun, noting that demand is strongest in areas close to stable labor markets.

According to the NAR, one in 10 real-estate transactions was for the purchase of a vacation home. And though a small fraction of the overall market, it is significant because vacation homes are often big-ticket properties that attract discretionary buyers.

Sales of second homes are showing an uptick even in more affordable communities. In some locations, prices are even inching upward. Cape Cod sales climbed nearly 9 percent in 2010 from 2009, while prices rose 7 percent. Monroe County, Pa., in the heart of the Pocono Mountains, saw a 3 percent decline in transactions, but its Lake Naomi resort community was up nearly 15 percent. A one-acre plot off Lake Naomi recently fetched \$1.1 million, a record deal for the area.

“Sellers have become aware that they have to price their homes accordingly,” said Harald Grant, a senior vice president at Sotheby’s in New York’s ritzy Hamptons region.

“There’s a perk in the market because a lot of prices have come down to where they should be.”

TRENDS

Analysts: Look for Spring Thaw



Housing economists expect the troubled residential market to begin picking up this year, with historically low mortgage rates and bargain home prices boosting sales in the spring selling season — at least

slowly to start.

The economy is creating new jobs, holiday sales came in better than expected, and sales of cars and furniture have improved, noted David Crowe, chief economist for the NAHB. Those trends, he said, are “signifying growing consumer confidence.”

After years of abysmal construction and sales activity, Mr. Crowe expects builders to start construction on 575,000 single-family homes this year, up 21 percent from last year. That would still be far below the 2005 peak of 1.7 million housing starts.

The NAHB also expects new home sales to hit 405,000, up 26 percent from 2010, as buyers who delayed purchases ink deals.

The outlook for home prices is less upbeat. Freddie Mac Chief Economist Frank Nothaft expects home prices to bottom out in the first half of this year, and mortgage rates to edge up slightly, ending 2011 closer to 5.25 percent.

“People now have waited long enough and are tired of waiting,” said Don Eyler, owner of E+R Construction in Indiana. “Right now, you can build a house for the same price as an existing one in some places.”

The new housing starts are expected to create about 500,000 jobs and help trim the unemployment rate to 9.1 percent, said NAHB’s Crowe, in an interview with Bloomberg.

“This is an ugly economic cycle,” he said. “We need job creation to get people comfortable with buying a home. If they do that, we’ll create jobs that will reinforce that home buying and fuel additional job growth.”

Job growth in other sectors, as well as population growth, will also likely have an effect. The number of U.S. households will rise 0.7 percent to 118.7 million in 2011, the largest annual gain since the beginning of the housing crisis in 2007. Charles Lieberman, chief investment officer at Advisors Capital Management LLC in Hasbrouck Heights, N.J., expects jobs to rise by an average of 200,000 per month in 2011.



The CEO of luxury home builder Toll Brothers is optimistic. “The recovery is here to stay,” said Douglas Yearley. “I think 2011 will be an improving year, but I think 2012 will be a big year for us.”

Fannie Mae: People Still Want to Own a House



The desire to own a home hasn't been diminished by the downturn in the industry, according to a survey by Fannie Mae.

Of owners and renters surveyed, 51 percent say that the housing crisis has not affected their overall willingness to buy a home. About 27 percent say they are more likely to buy since the crisis, presumably because of lowered prices, and 19 percent

say they are more likely to rent.

However, about 33 percent say they would be more likely to rent their next home than buy, up from 30 percent in January. Among renters, 59 percent said they would continue to rent in their next move, compared to 54 percent in January 2010.

Other findings include:

- ✱ 66 percent of respondents say they believe that housing is a safe investment — as safe as an IRA or a 401(k) plan.
- ✱ About 50 percent say they believe that owning is a good idea, even if they plan to stay in the home less than three years.
- ✱ 86 percent identify tax benefits as a reason to buy.

2011's Strongest and Weakest Markets



Home prices are expected to rise in 40 percent of major metropolitan areas, according to Veros Real Estate Solutions, a research firm that provides information to the mortgage industry.

The markets Veros expects to be strongest are:

- 1 San Diego/Carlsbad/San Marcos, Calif.
- 2 Kennewick/Richland/Pasco, Wash.
- 3 Pittsburgh
- 4 Fargo, N.D.
- 5 Washington, D.C. metro area

The five markets Veros expects to be weakest are:

- 1 Reno/Sparks, Nev.
- 2 Orlando/Kissimmee, Fla.
- 3 Boise City/Nampa, Idaho
- 4 Deltona/Daytona Beach/Ormond Beach, Fla.
- 5 Port St. Lucie/Fort Pierce, Fla.

Rising Rates Could Get Buyers Moving



Ironically, it could be rising interest rates that finally push home buyers off the fence and into the market.

Analysts are predicting that buyers will move quickly when it looks like rates are going up and are unlikely to come down. “Once people see this might actually be the bottom, they’ll go for it,” says Paul Dales of Capital Economics.



MARKETS

Texas Leads the Way in Recovery



The Texas economy continues to outperform the U.S. economy as a whole in the current recovery, according to the Monthly Review of the Texas Economy (January 2011) from the Real Estate Center at Texas A&M University.

The state's economy gained more than 200,000 jobs in 2010, an annual growth rate of 1.9 percent, compared with the nation's 842,000 jobs, an annual growth rate of 0.6 percent.

Texas' private sector continues to play a key role in job creation. The state's private sector posted an annual employment growth rate of 2.2 percent, compared with 1 percent for the U.S. private sector for the year.

All Texas industries except the trade and information industries had more jobs in 2010 than in 2009. The state's mining and logging industry ranked first in job creation, followed by professional and business services, education and health services and manufacturing.

For the sixth year in a row, Texas leads the nation as the number one magnet state, reports Allied Van Lines.

Texas had the highest net relocation gain (inbound moves performed by Allied minus outbound moves).

The moving company's report showed a net gain of 1,640, which is lower than last year's performance but which far outpaced all other states.

Allied attributes the state's "magnetism" to its diverse, strong economy.

LAW

Upscale California County Ordered to Attract More Minorities



Marin County, Calif., has joined Westchester County, N.Y., as locations named by HUD as having failed to provide Fair Housing to minorities despite the investment of millions of dollars of federal money to equalize housing.

Marin County officials have now agreed to research why the affluent county remains 85 percent white while surrounding Bay area counties are far more balanced. The government believes that Marin County has squandered federal grant money and told the county that it must actively market to minorities and urge them to find homes there.

Westchester County in New York has been in a running battle with the government over its failure to show improvement in minority housing despite millions in tax dollars invested in minority housing programs.

Appraisal Groups Seek Better Fee Disclosure



Some of the housing industry's most powerful appraisal groups are calling on the Federal Reserve to separate appraisal fees from appraisal company management fees and make sure both are disclosed to consumers.

The Appraisal Institute, American Society of Appraisers, American



Society of Farm Managers and Rural Appraisers, and the National Association of Independent Fee Appraisers urged the Fed to make the changes when it implements new appraisal reforms this year.

Under the current Real Estate Settlement and Procedures Act, appraisal fees and appraisal management fees are totaled and disclosed as a single figure on the HUD-1 form. The groups say that practice misleads consumers regarding how much they are actually paying for property appraisals.

INDUSTRY

Australian Investors Buying U.S. Properties



An Australian real estate agent reports a substantial increase in business since creating a Web site and business model intended to sell foreclosed properties in the United States to Australian investors.

Sydney agent Vincent Selleck posted <http://www.888usrealestate.com.au/> a year ago and has seen a spike in traffic in the last six months when the Australian dollar reached parity against the U.S. dollar. He reports getting more than 250 inquiries a month concerning U.S. properties.

According to Selleck, the average foreclosed home in the United States costs 62 percent of the average home price in Australia's eight largest cities.

NAR reports Australian and New Zealand residents purchased 2,000 homes in the United States last year, worth \$400 million.

HUD Says Grants Save 3,800 Children From Lead



The Department of Housing and Urban Development believes its home safety programs have resulted in more than 3,800 children being safe from lead-based paint.

In 2010, HUD provided nearly \$100 million in grants to 53 programs in 20 states to protect children from lead and other health and safety hazards, and to create jobs. It says the grants have assisted more than 3,800 children, exceeding the program's original goal of 3,500.

AGENTS' CORNER

Facebook: The Best and Cheapest Lead Generation Strategy of Them All



Did you know that more than half the U.S. and Canadian populations are on Facebook? And that Facebook has surpassed Google as the #1 most visited Web site?

Despite these facts, most real estate professionals have no idea how to actually turn Facebook into a lead generation machine for their business.

And the vast majority of those who do figure it out end up wasting huge blocks of time each and every day.

Here's a simple plan for generating leads on Facebook with effectiveness and efficiency, according to Josh Schoenly, a real estate lead generation consultant.



Step 1: If you haven't already done so, create a page for your real estate business. We recommend that you use a strong keyword-based title for your business page. (Example: Harrisburg PA Free Home Search vs. Bob's Real Estate Brokerage).

Step 2: Be sure to optimize your business page by following the steps that Facebook outlines for you, including uploading an image, providing company information, etc.

Step 3: You'll want to set up a welcome tab that new visitors will see when they land on your page.

Step 4: You need to add some content to your page. The content will in most cases go to your wall. To get started posting content to your page, post videos that you've done, or blog posts that you've written, links to listings etc.

Step 5: This is probably the most important step—getting people to come and “like” your page. There are three main ways to do this. First, you can and should suggest your page to all your Facebook friends. Second, you can actually import your database of leads, past clients, etc. and they'll be invited to check out and “like” your page. Third, you can use Facebook ads to drive demographically and geographically targeted visitors to your page.

Step 6: Every day, or at least every few days, send a personal Facebook message to new “fans” of your page. You can easily do this in just minutes a day or you can have your assistant do it as part of his or her daily routine as well.

- ✦ **Don't wait for the phone to ring.** Stop spending time on the “up desk” and devote your energies to less passive activities, such as holding first-time buyer seminars, knocking on doors, calling sellers who have let contracts expire and wooing FSBOs.
- ✦ **Become a specialist.** Top producers pick a niche or two and work it. Common niches include geographical farms, new homes, estates and relocations.
- ✦ **Work your farm.** If you haven't closed at least four transactions from your geographical farm in the last two years, replace it with something more profitable.
- ✦ **Stop being a secret agent.** Networking should produce leads. If yours isn't, then find other ways to solicit leads.
- ✦ **Tidy up your database.** Delete the people who haven't produced any sales in 24 months.
- ✦ **Track the competition.** Evaluate your rivals. Who are they? Track your competitors' PR stories and Web pages in addition to their prices.

Got Downtime? Use it Well



The best way to make more money in real estate in 2011 is to market smarter, says real estate columnist Bernice Ross. Here are some of her tips for spending marketing time more effectively.

Judicial Title



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