Real Estate Digest

TIGER ABSTRACT
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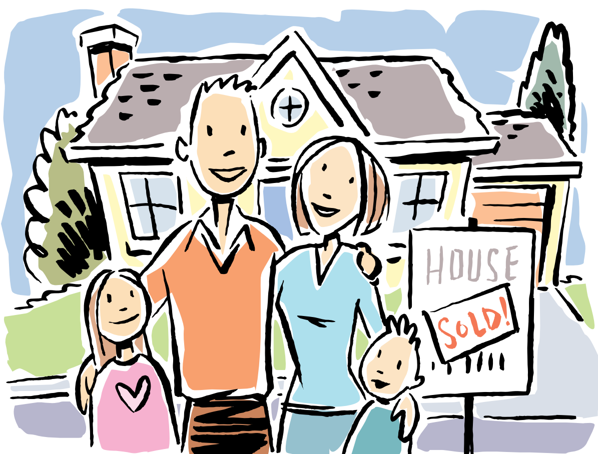


Are You Plugging into Gen X, Gen Y Preferences?

If you're still marketing using the "We're No. 1 Approach!" or plastering your face all over postcards, bus benches and billboards, you may be wasting your time and money with up-and-coming Gen X and Gen Y buyers.

Today, you'd be better served by modifying your marketing and negotiation strategies to adapt to different generations. For those born before 1965 (boomers) the "trusted adviser model" is still important, since they value expertise. They expect you to know more than they do and are willing to lean on your strong knowledge of the inventory, negotiation points and a mastery of the system.

In contrast, those in Gen X and Gen Y (born after 1964), don't necessarily want agents telling them what to do. The new model for them is what real estate consultant Bernice Ross calls "The Trusted Resource Model."

Trusted resource

The Trusted Resource Model establishes you as a conduit of information. Your role is to provide the best information possible so that the buyer or seller can make the best decision possible.

To illustrate, it's common for agents to recommend list prices on a listing appointment. The strongest agents will also outline a 90-day marketing plan that they will use to sell the property. This approach falls into the trusted adviser model.

In the Trusted Resource Model, the agent outlines a 90-day marketing plan and then asks the seller for input about which services the seller would like to use in marketing the property. The agent also provides the comparable sales information. The key point of differentiation here is how this is handled.

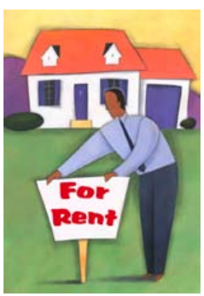
In the Trusted Resource Model, instead of telling the seller, "You should list your property at $244,500," you might say the following: "As you can see from comparable sales, the properties in this area are selling from $120 to $150 per square foot. The properties that have sold for $140 to $150 per square foot were all built in the last five years."

Across generations

The power of this trusted resource approach is that it works with all generations. While the boomers may appreciate the fact that an agent has searched out and compiled the information they need, Gen Xers may appreciate being directed to where they can find the information. Those from Gen Y may prefer to do their own research, but they tend to check with their friends rather than searching exclusively on their own.

TRENDS

Rising Rents Make Rentals Less Appealing



Apartment bargains once dominated the housing market, but those bargains have slowly faded away. As vacancies decrease and rents rise, renters are finding fewer deals.

Analysts expect vacancies to decrease even more and rents to continue to rise through 2013, as the economy continues to improve.

Rental activity recorded its best start for the year since 1999, according to Reis Inc. Vacancy rates have fallen to mid-2008 levels and rents have increased for the past five quarters, now averaging $991 per month nationwide.

Renters are finding the fewest deals along the coasts, such as New York; Washington, D.C.; Boston; Los Angeles; San Francisco; Seattle and San Jose, Calif. These cities are experiencing low vacancy rates. Also, a boost in these cities' economies is sending rents higher. New York City alone has seen rent increases double compared to the national average, and it has the lowest vacancy rate in the nation.

The best rental deals can be found in Las Vegas, Tucson, Phoenix and several cities in Florida—all cities where unemployment and foreclosures remain high. According to Reis, Las Vegas was the only city to see rents fall last year.

However, analysts say that bargains across the country are getting fewer, and renters should expect to see an increase in rents over the next three years.

Foreign Buyers Cashing in on Market

With affordability at an all-time high, the number of investors and international buyers taking advantage of bargains has pushed the number of all-cash purchases to a record high — and some experts predict that number will only grow higher.

A record 33 percent of existing-home sales were made to cash buyers in the last month of record, according to the National Association of Realtors. The proportion of cash deals could hit 40 percent by the end of this year, predicts Thomas Popik, research director for Campbell Communications in Washington, which conducts monthly surveys of 3,000 real estate brokers.

"Lenders have only been willing to lend to the cream of the crop in terms of credit scores," says Walter Molony, an NAR spokesperson. "As a result, you're seeing a depressed level of traditional buyers."

But it's not just investors moving in: Many of these cash deals are also coming from a growing number of international buyers. About 55 percent of international buyers paid cash for their U.S. homes, according to a report by NAR.

Cities where about half of all purchases were done with cash include Detroit, Miami, Las Vegas and Phoenix, in which prices have dropped considerably and foreclosure rates remain high, says Oliver Chang, a housing market analyst with Morgan Stanley.

Short sales and foreclosures accounted for 59 percent of last year's cash sales, according to a report by Morgan Stanley.

"You buy the house at a discount with cash. Then you flip it almost immediately to the first-time home buyer who's using a mortgage, simply because they were not able to buy at the foreclosure sale," Chang says.

Lenders increasingly reject mortgage applications for foreclosed properties because appraisals are often too far below the agreed-upon price or the transactions take too long to close, says Popik.

With tightened lending standards, cash purchases can provide buyers with more leverage and allow buyers to close properties more quickly.

People Prefer to Live In Walkable Communities

Most homeowners would like to live in walkable neighborhoods where schools, shopping, recreation and jobs are all easily accessible. The National Association of Realtors' poll found that 77 percent preferred to live in "smart growth" communities with sidewalks and "pedestrian friendly" features. About 50 percent said they would rather see improvements in public transportation than have more money put into roads.

Eighty percent of those surveyed would prefer to live in a single-family, detached home as long as it didn't require a longer commute, but 59 percent said they would take a smaller home if it reduced their commuting time to less than 20 minutes.

MORTGAGES

Housing Industry Objects to High Down Payment Proposal

The housing industry is criticizing a rule proposed by the Federal Deposit Insurance Corp. that would require homebuyers to make a minimum 20 percent down payment to receive a "qualified residential mortgage."

The rule was proposed as Congress continues to work on financial reforms. NAR said the high down payment would burden homebuyers and significantly impede the economic and housing recovery.

The National Association of Home Builders said, "By mandating a 20 percent down payment on qualified residential mortgages, (regulators) are excluding those without huge cash reserves — which constitutes most first-time home buyers and many middle-class households."

The NAHB said borrowers who cannot afford a 20 percent down payment and who do not qualify for FHA financing would be required to pay a premium of two percentage points for a loan.

"This would disqualify about five million potential home buyers, resulting in 250,000 fewer home sales and 50,000 fewer new homes being built per year," it said.

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They're Back! Welcome the Return of Subprime Bonds

Subprime and other residential mortgage bonds that helped trigger the financial crisis are back in vogue with long-term investors, in the latest sign that American credit markets are healing after the worst downturn in a generation.

The prices on a representative slice of the subprime bond market have doubled from 30 cents on the dollar at the low point of the crisis to roughly 60 cents today.

Their comeback underscores how investors have regained the courage to take on more risk as the economy recovers, pushing up the prices of a broad swath of riskier assets, from commodities to junk bonds to stocks.

The attraction of bonds underpinned by subprime home mortgages is fat yields, at a time when the Federal Reserve has pushed interest rates on the safest investments to among the lowest levels in history. In addition to subprime bonds, conservative investors are re-entering the market for other so-called non-agency bonds, which means Fannie Mae or Freddie Mac doesn't back them. These securities yielded close to 20 percent during the downturn, and are now fetching between five percent and seven percent—still well above roughly 3.5 percent yields on U.S government bonds and four percent on high-quality corporate bonds.

The willingness to take on risk is helping ordinary borrowers, too, by leading banks to make more nontraditional loans, such as jumbo mortgages, and to charge lower interest rates for them. Since the worst of the crisis, the extra amount that borrowers have had to pay for these loans has fallen by half, with interest rates for jumbo loans now roughly 5.5 percent compared to five percent for 30-year conforming loans. The extra amount over standard conforming loans that a person would have to pay for a jumbo has fallen from 1.3 percentage points to a bit over 0.5 points.

Equally notable, investors say, is that prices on these risky bonds have stabilized in recent months, giving conservative buyers the confidence to step in. The demand is so strong for these securities that even the Federal Reserve is taking advantage, announcing recently that it will sell off billions of dollars worth of subprime mortgage bonds it took on as part of its bailout of American International Group Inc. in 2008.

Mortgage bonds still have significant risks. While the U.S. housing market is expected to eventually recover, protracted foreclosure battles and the still-weak economy could mean that cash flows that investors expect the bonds to receive could take longer to materialize. Analysts generally view their downside risk as limited at the bonds' current prices, even though delinquency and default rates among the loans backing them remain high.

INDUSTRY

Brokerage Uses Groupon To Lure More Clients

A broker in Chicago is offering buyers and sellers a unique offer: $1,000 cash at closing when they purchase a $25 Groupon coupon. Dream Town Realty is believed to be the first brokerage in the country to use Groupon in a real estate transaction.

Groupon is a website that features daily deals, often on restaurants and retail items, in more than 500 markets. To use the Dream Town Realty

Groupon offer, buyers must close on a home priced at $150,000 or more, or sellers must list with Dream Town. If they do, they'll be able to redeem their $1,000 cash gift.

Dream Town's Groupon offer has already received a lot of attention. Soon after it was announced, it reached its 50-person minimum, and the company plans to have more announcements promoting the offer.

Dream Town's president Yuval Degani says the goal of the Groupon promotion was to generate some buzz as well as draw more clients to visit the brokerage's website who might be buying or selling a home in the next year.

Some states ban such rebates by real estate professionals at closing.

MARKETS

Are You Working in a "Stubborn Seller" City?

On average, sellers reduce their list prices after about 2.5 months by eight percent when a property hasn't sold yet, according to a new report by Trulia.com. After making one price reduction, 35 percent of those sellers will make a second price cut, too.

However, Trulia found some sellers tend to be a little more "stubborn" when it comes to slashing prices, waiting 80 days before making an initial listing price cut.

According to the report, these stubborn sellers are most often found in:

- New York City
- El Paso, Texas
- Charlotte, N.C.
- Cleveland
- Raleigh, N.C.
- Louisville, Ky.
- Kansas City, Mo.
- Memphis, Tenn.

Other sellers don't seem to cut their prices enough the first time around and likely will have to slash prices further. According to Trulia, those sellers are most often found in:

- Phoenix
- Mesa, Ariz.
- Jacksonville, Fla.
- Baltimore, Md.
- Chicago

Meanwhile, the report found that sellers in Minneapolis, Minn., were quickest to cut prices, slashing prices after an average of 45 days. Sellers in major cities in California — such as Oakland and Sacramento — also were quicker to offer discounts, ranging from 49 to 53 days for the first price cut.

AGENTS' CORNER

Top Five iPad Apps For Real Estate Agents

In addition to the "cool factor" of Apple's iPad, it offers tons of great productivity tools for real estate agents and brokers. Not only that, but using an iPad in the field eliminates the need to lug around a laptop, making your job much easier.

Here are five must-have iPad apps for real estate agents:

1 Keynote – Think of Keynote as PowerPoint, but much easier and more intuitive to use. This $9.99 app is the perfect tool for creating a simple and very slick listing presentation. Don't want to use Keynote because you love PowerPoint? Download Documents on the Go — the only app available to edit PowerPoint files (also $9.99).

2 Open Home Pro – This is a fantastic free tool for open houses. No more hard copy open house register needed. Simply tap the app, enter the basic details of the listing, and you are ready to go. Once you have buyers come in, they simply sign in with their name, email and any other pertinent info. You can add notes too. After they have entered their info, the screen reads "Please hand the iPad back to your real estate agent." Love it!

3 Dropbox – Dropbox is the easiest way to store, sync and share files online. There's no complicated interface to learn. This is the easiest way to transfer files from your desktop or laptop to your iPad. Also check out Mediafire.

4 GoodReader for iPad ($4.99), iAnnotate PDF ($9.99) and PDF Expert for iPad ($9.99) – All of these apps allow you to annotate PDFs in a variety of ways. You can edit text, move notes with your finger, draw, add a personalized signature and so much more. iAnnotate PDF and PDF Expert for iPad support VGA-out, so you can share your work on the big screen if needed.

5 DocuSign – This free app is simply a great time-saver. Send, track and sign documents anytime and anyplace. View real-time business document status so that you instantly know what is completed and what still needs your attention. Create, tag and modify documents for e-signature.

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