

Real Estate Digest



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Bring on the Boomers!

When it comes to housing, baby boomers are different from other generations in two important ways: they have more equity in their homes, and many are preparing to move.

In fact, boomers and retirees will be among the largest share of the real estate market beginning as early as next year, according to Edsel Charles,



president of MarketGraphics, a national and local housing researcher.

If Charles and housing experts are right, boomers—the 77 million Americans ages 47 to 65—soon may be a sweet spot in an otherwise sour market for homes.

Having raised families, many baby boomers are ready to turn in the keys to their oversized suburban McMansions.

Research suggests boomers are tired of climbing stairs and mowing lawns

and will seek ranch-style homes along quieter blocks, with features that make life a little easier on achy backs and knees.

Pent-up demand

So far, however, boomers haven't started moving in big numbers.

"These days a lot of people can't move," says Indiana University economist Willard Witte, "because they can't or won't sell their house at a big loss. Once the stock market settles down, and the economy turns, you will find this bunch that has hesitated will become a pent-up demand."

Unlike the younger families targeted by most builders, however, boomers have been building equity for decades. They have paid down their mortgages over time, putting them in a better position to sell. Witte said boomers may be the first demographic to move when the market picks up. Charles agreed.

"I think we are heading into a huge retirement market," he says.

Long wish list

What boomers want, however, appears to be in short supply.



Most boomers now favor ranch homes that are about 1,500 to 2,500 square feet. Some prefer age-restricted communities, low-maintenance town homes and downtown condominiums. The majority, his research shows, say they want single-story houses within neighborhoods that attract a broader mix of people — and are close to where they now live.

“I think only about 60 percent of boomers will find what they want, and it should be much higher,” said Charles.

And they carry along a pretty specific checklist:

- ✱ Open spaces to host friends and family, rather than separate dining rooms, living rooms and kitchens.
- ✱ Features such as vanities and electrical sockets that are a bit higher off the ground than normal.
- ✱ Storage, especially his and hers master closets, plus structurally reinforced attics.
- ✱ Backyard living spaces—not swimming pools or outdoor kitchens, but large decks with fireplaces, hot tubs and wet bars.

Bottom line: If you’re looking for a huge niche market, none could be more attractive for years to come than downsizing boomers.

ECONOMY

Second Recession Fears Ease



Many homebuyers have been reluctant in recent months to move forward on home purchases due to fears that the country could be heading to a double-dip recession, but new data suggest they have nothing to fear.

The job picture seems to be improving, according to new economic data. For example, a report from ADP, a payroll processing company, showed that private em-

ployers had added more than 200,000 employees over the summer and early fall. Also, unemployment rates were lower than a year earlier in 257 of the 372 metro areas, according to the U.S. Bureau of Labor Statistics.

What’s more, the number of planned layoffs at companies, which has been rising for the last three months, curtailed recently.

“The labor market is soft but not falling apart,” says Joel L. Naroff, chief economist at Naroff Economic Advisors in Holland, Pa. “The economy is not on the verge of a recession.”

Also, economic data pointed to a strong rebound in demand for manufactured goods, particularly for cars. Orders for motor vehicles this year posted their largest gain since 2003.

TRENDS

New Trend: Anchoring Homes Around Farms



It used to be that developers built high-end suburban communities around golf greens. The hot amenity now? Salad greens and avocado trees.

In a movement propelled by environmental concern, nostalgia for a simpler life and a dollop of marketing savvy, developers are increasingly laying out their cul-de-sacs around organic farms, cattle ranches, vineyards and other agricultural ventures. They’re betting that buyers will pay a premium for views of heirloom tomatoes—and that the farms can provide a steady stream of revenue, while cutting the cost of landscaping upkeep.

“Agriculture is the new golf,” says Ed McMahon, a senior resident fellow at the Urban Land Institute, a nonprofit group focused on land-use planning.



The trend has its roots in the growing distaste for prototypical suburban sprawl: mile after mile of look-alike homes broken up by the occasional park. The sustainability movement, with its emphasis on conservation, preservation and local food production, has helped, too. Then there's the fact that the U.S. already has thousands of golf-course communities, so developers looking to set their subdivisions apart need a new marketing hook.

There are three basic models for incorporating agriculture into suburbia. The most straightforward is to set aside land for a farm, orchard or vineyard within the community. Such ventures may be run by an independent contractor who leases the land, or by salaried farmers who work for the developer.

A second model creates community gardens—tilled, irrigated and ready for planting—throughout the development. Residents can claim a plot and get their hands dirty. Or new-home buyers might be offered a choice of irrigation systems and planter boxes that would allow them to turn their own yards into mini-farms.

A final model involves creating edible landscaping throughout common spaces—fruit and nut trees, berry bushes, cabbage and lettuce—and allowing residents to pick whatever they can use. Many of the new developments incorporate more than one of these visions.

TECHNOLOGY

More Americans Embrace Smartphones



More than one in three (35 percent) of Americans aged 13 and older who use mobile devices now have a smartphone, according to new data by market analysis firm ComScore.

Android devices accounted for about 42 percent of the smartphone user base in the country — that's up from 36 percent three months prior. Meanwhile, Apple only slight-

ly increased its share during the three-month time period ending in July, from 26 percent to 27 percent.

Research in Motion's Blackberry platform continues to lose ground, dropping four percentage points in that three-month period to 21.7 percent of the market. Microsoft and Symbian also continue to see their market share decrease too.

Here are the top smartphone platforms and the market share of smartphone subscribers they boast, according to ComScore's July data:

Google:	41.8%
Apple:	27%
RIM:	21.7%
Microsoft:	5.7%
Symbian:	1.9%

MARKETS

12 Housing Markets Seeing The Biggest Turnarounds



The National Association of Home Builders has debuted a new economic index that highlights metro areas that are seeing the most improvement in their housing markets. The First American Improving Markets Index reveals 12 metro areas that have seen a turnaround for at least six months in three core economic areas — housing permits, employment and housing prices.

“Despite the challenging conditions in the national economy and housing sector, there are areas throughout the country where we are seeing pockets of improvement,” Bob Nielsen, chairman of NAHB, said in a statement. “We created this new index to shine a light on



those housing markets across the country that have stabilized and have begun to show signs of recovery.”

Here are the 12 cities that have seen the biggest improvements, according to NAHB’s new index:

- * Alexandria, La.
- * Anchorage, Alaska
- * Bangor, Me.
- * Bismarck, N.D.
- * Casper, Wyo.
- * Fairbanks, Alaska
- * Fayetteville, N.C.
- * Houma, La.
- * Midland, Texas
- * New Orleans, La.
- * Pittsburgh, Penn.
- * Waco, Texas

Chinese Banks ♥ New York



The *New York Times* reports that China-based banks have invested more than \$1 billion in real estate loans in New York City in the past year, buying luxury apartment buildings and laying plans to develop residential and commercial projects.

It also said the banks had taken out substantial leases in the Empire State Building and the new One World Trade Center being built on the site of the destroyed World Trade Center. The *Times* said Chinese investors had been moving money into New York projects for the past few years, but the total has mushroomed in the last 12 months.

The newspaper added that many of the investments are being en-

couraged by the Chinese government, which is urging that country’s business community to expand its contacts and partnerships abroad.

Boston Tops List of Best College Rental Cities



The listings site Move.com has released a list of the top 10 college towns where investors can see a high return on rental properties. According to Move, in the next two years investors are expected to outnumber traditional homebuyers in local markets by 3 to 1, and 56 percent say they will put their investments to work as rental properties.

“Local markets with universities or colleges can be an attractive option for many local real estate investors. Housing demand in college towns is generally high and vacancy rates are usually low. Combine the supply and demand ratio with rising admissions and the five percent rise in rental rates expected by the end of the year, and rental property in college towns can be a smart option for the right investor,” said CEO Steve Berkowitz.

Move’s top 10 college towns for rentals are:

- * Boston
- * Nashville
- * Chicago
- * Washington
- * Houston
- * South Bend, Ind.
- * Atlanta
- * Baltimore
- * St. Louis
- * Syracuse



MORTGAGES

Just In: New FHA Loan Limits Now in Effect



The Federal Housing Administration (FHA) has implemented new single-family loan limits as of October 1, reducing them in the highest-cost metropolitan areas of the country while leaving them unchanged in most areas.

The new limits were scheduled to take effect in January 2009 but were delayed because of turmoil in the housing markets. The current limit for areas where housing costs are relatively low will remain unchanged at \$271,050 for one-unit properties. The new ceiling loan limit for higher-cost areas will be reduced from \$729,750 to \$625,500 for one-unit properties. FHA estimates that only a fraction of borrowers living in the nation's highest-cost areas will be impacted by the new loan limits. For example, it said that last year only three percent of FHA-insured borrowers lived in the high-cost areas.

Freddie Mac Offers Incentive to Buyers Of Foreclosed Condos



HomeSteps, the real estate sales unit of Freddie Mac, has announced a "Condo Cash" incentive program that will provide buyers of foreclosed condos up to \$1,500 for condominium association dues.

The company hopes the incentive will help drain off its high inventory of condo units. Offers must be submitted by Nov. 15 to take advantage of the program. The condos must have been on the market for at least 120 days.

Included in the incentive is a two-year Home Protect limited warranty that covers electrical, plumbing, air conditioning, heating and other major systems and appliances.

For more information, see: www.HomeSteps.com/smartbuy.

AGENTS' CORNER

HUD Launches Foreclosure Map



HUD has launched a Web-based mapping tool that displays the location of foreclosed properties held by Fannie Mae, Freddie Mac and the Federal Housing Administration (FHA).

The homes collectively account for nearly half of all REO properties in the United States. The map is intended to help local communities, homebuyers and responsible investors to acquire the properties and accelerate efforts to stabilize local housing markets.

HUD said it hoped the new mapping tool would be of particular help to those communities employing HUD's Neighborhood Stabilization Program (NSP) in the targeted acquisition, rehabilitation or demolition of REOs.

"In this case, a picture is worth more than a thousand words," said Housing Secretary Shaun Donovan. "This new mapping tool gives local communities a much clearer picture of where these foreclosed properties are so they can focus their energies in especially hard-hit neighborhoods."

The site can be found here: <http://www.huduser.org/REO/reo.html>



Five Ways to Fight A Low Appraisal



What do you do when the appraisal on a client's home comes in lower than you or the seller had hoped, or even below the price the seller has accepted—even as much as 10 to 20 percent below?

You can fight back with legal options. Here are five steps you can take to save the deal:

- 1 Get the seller to lower the price.** By far, this is the easiest solution, especially if your appraisal comes in at less than 10 percent below the contract price. Obviously, a lower price is a great idea for the buyer, but why would a seller go along? In July 2011 the average home in America took about 88 days to sell. Demand is soft and time is money. Your seller could be in a real bind if forced to back out and put the house on the market again. After all, there is no guarantee that if the seller walks away, the next buyer's lender won't come in with an even lower appraisal. Sometimes a bird in the hand is best.
- 2 Ask the seller to offer to carry a second mortgage for the difference.** This solution doesn't cost the seller anything, but the buyer incurs greater debt. If the buyer really wants the home but cannot come up with the difference in cash, making payments or a lump sum payment at a later date to the seller is an option. After the escrow closes, sellers often retain the right to discount the second mortgage, and can sell it for less than face value to an investor.
- 3 Do your research and dispute the appraisal.** Disputing the appraisal may sound a little aggressive, but you might be the victim of a poorly prepared appraisal. Do some research first and go to war if you have the ammunition. Where is the appraiser based? Did the appraiser have adequate information about the subject property?

If your appraisal was conducted by an out-of-town appraiser unfamiliar with your market, you have every right to demand a new appraisal. The key to a successful dispute is data. You will need as much data as you can get to back up your dispute.

- 4 Ask the lender for a new appraisal.** Should you find that you have a good case that the appraisal wasn't fair or accurate, ask the lender for a new appraisal. Another strategy is to get two additional, unbiased appraisals and use the average of all three to arrive at a fair price. This is a risky strategy, in light of the fact that another appraisal might not come in higher than the first; it might even be lower if values have fallen.
- 5 Get your own, independent appraisal.** If you order your own appraisal and your loan is an FHA loan, ask the lender for a list of approved appraisers. Usually the bank will review your appraisal and ask the previous appraiser if they agree or disagree with the newly submitted one.



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