

Real Estate Digest



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Welcome 2012: The Year of Increasing Demand

As many as two million families are ready to move into home ownership — just as soon as they feel the housing market has stabilized.

A survey by Hanley Wood publishing company found that 19 percent of homeowners and 29 percent of renters are considering buying a home within the next two years.

In another survey by Move, Inc., 27 percent of Americans say they plan to buy a home in the future (with most saying in two or more years), but only two percent say they plan to purchase a home in the next 12 months.

“We thought people would be soured after watching home values fall but instead we found the typical American still places high value on home ownership,” said Frank Anton, chief executive of Hanley Wood.

The trend holds across all demographic groups and across the country, even in hard-hit places like Nevada and Arizona, where, in some areas, values have declined 50 percent or more.

The survey found that 72 percent of homeowners and 59 percent of renters felt right now is a “good” or “very good” time to buy. The increase in rental rates in many markets is one factor driving people to consider buying.

Watching and waiting

So why are so many buyers con-

tinuing to wait on the sidelines when home affordability is high and interest rates are at or hovering near record lows?

About 23 percent of those surveyed say they are delaying buying a home because they are concerned about the local real estate market, the future of home values, the economy and jobs, as well as having difficulty in saving for a down payment. “Perceptions as much as the realities of home ownership are standing in





the way of boosting demand for housing,” said Errol Samuelson, chief revenue officer of Move, Inc.

Jobs and credit

“Concerns that the economy will continue to put jobs at risk and that prices won’t rise near-term are keeping buyers on the sidelines as much as the difficulty they’re having in getting credit or saving for down payments. Until these concerns are resolved, we expect both buyers and sellers to remain on the sidelines,” said Samuelson.

Nearly 35 percent of those surveyed say their inability to get credit or find affordable credit are the main reasons why they’re putting off purchasing a home.

TRENDS

Buyers Remain Optimistic About Home Value Appreciation



Despite the ongoing housing slump, a poll released by real estate marketer Zillow shows that 42 percent of buyers still believe homes appreciate at a rate of seven percent per year.

Zillow notes that housing prices have generally tended down in the last five years

and that even historical averages put appreciation at no more than two to five percent per year.

While the Zillow poll found most buyers generally knowledgeable about the buying process, 41 percent said they believed purchasers are required to have private mortgage insurance and 56 percent didn’t know the difference between an appraiser and an inspector.

Millennials: Life With Parents Not so Bad After All



More young adults in the first-time home-buyer age range of 25 to 34 are opting to move in with their parents rather than creating households of their own. According to the Census Bureau, the number of men between 25 and 34 living with their parents rose from 14 percent to 19 percent from 2005 to 2011.

The number of women in the same age group living with their parents increased from 8 percent to 10 percent.

In the younger age range, 59 percent of men 18 to 24 lived with their parents in 2011, compared to 53 percent in 2005. For women in that age group, 50 percent now live with their parents, compared to 46 percent in 2005.

Another survey by Move, Inc. found that younger adults tend to look at home ownership as a place to be happy, not an investment. But a large segment of first-time home buyers admit they are choosy when it comes to finding a home—80 percent say they are picky, in fact. A lot of that pickiness comes from the fact that 75 percent say that their home defines them and is a part of who they are.

The survey also found that younger adults tend to spend more on housing than older adults. For example, the survey revealed that two out of five—or about 40 percent—of millennials say they should spend 30 to 60 percent of their gross monthly income on housing. More than half of older Americans, on the other hand, say they plan to spend less than 30 percent of their gross monthly income on housing.

Lenders often recommend spending 28 percent of annual gross wages on housing, taking into account principal, interest and taxes.



Home Affordability Remains High



The good news is that despite woes in the U.S. housing market, affordability in the United States is much better than it is almost anywhere else in the world, according to the American Enterprise Institute.

Defined as an area with a median local home price less than three times the median income, half of U.S. markets were ranked as affordable and another 35 percent were ranked as moderately affordable. And with slowly rising housing prices and historical low rates on mortgage rates, the pent-up demand may finally translate into willing buyers this year.

In six other countries — Canada, Australia, China, Ireland, New Zealand and the United Kingdom — 80 percent of markets were seriously or severely unaffordable. In the United States, only 15 markets — led by Honolulu and several markets in California — were considered severely unaffordable.

Baby Boomers Delay Selling Their Homes



Baby boomers are delaying plans to sell their homes until the economy improves, according to a survey of Coldwell Banker brokers and sales associates. The survey showed that 87 percent of agents polled said their boomer clients were delaying putting their homes on the market.

The same survey, however, also showed that the boomer demographic continues to want to own one or more homes. It said that 22 percent of agents had boomer clients who were in the market for second homes and investment properties.

Home Ownership Falls Slightly



The Census Bureau has released numbers showing that from 2000 to 2010, home ownership dropped by the largest amount since the Great Depression, but still managed to be the second highest on record. Home ownership fell 1.1 percentage points to 65.1 percent between 2000 and 2010.

The highest home ownership rates in 2010 were in West Virginia, 73.4 percent, and Minnesota, 73.0 percent. The highest number of renters lived in New York City - 69.0 percent, followed by Los Angeles - 61.8 percent, Chicago - 55.1 percent, and Houston - 54.6 percent.

THE INDUSTRY

Take Advantage of Free Listings on International MLS



The International MLS has announced that U.S. real estate agents may now register to join the site and manually list their properties at no cost on the company's two main Web sites, TheInternationalMLS.com and

TheInternationalRealty.com.

Created by The International Realty Inc., the company says the site is the "first true commission share International MLS."

IMLS currently offers 150,000 properties in 55 nations outside the United States, the company said.



New Online Tool Provides Free Data for 300 Markets



Hanley Woods, publisher of *Builder Magazine*, has introduced an online tool for real estate professionals to help them keep up on market data. The site includes charts for about 300 markets nationwide that show statistics on buyers, employment and home sales.

The data show sales by price range, average price per square foot, buyer ages, buyer income, employment growth and other local information. The data can be found at: www.builderonline.com/local-housing-data/

Users can open the charts by using their Facebook, Linked In or Twitter accounts.

See a House, Win A Botox Treatment



A California real estate agent has come up with a curious way to bring buyers out to an open house—raffling off \$300 worth of Botox treatment to those who visit one of his listings.

In addition to a chance to receive Botox, agent Michael Gardner is giving visitors to the \$8.5 million Mediterranean-style mansion an opportunity to test-drive a new Audi and a Thai massage. The home itself has six bedrooms, seven bathrooms, a pool and spa with room for 12.

LAW

Bill Would Give Foreigners Visas if They Purchase Homes



A bill authored by Senators Charles Schumer, D-N.Y., and Mike Lee, R-Utah, would grant a U.S. visa to international investors who agree to spend at least \$500,000 to purchase residential real estate in the United States.

According to Schumer and Lee, the bill is intended to boost the housing market. The measure would require buyers to pay cash to qualify for the “homeowner” visa.

It also calls for them to pay U.S. taxes and spend at least 180 days a year in the country, although they would not be allowed to work in the United States, nor would they be allowed to take out home equity loans. The visas would allow foreigners to stay for three years.

MORTGAGES

Homeowners Opting for 15-Year Fixed-Rate Loans



A growing percentage of homeowners prefer 15-year fixed-rate loans as a way to combine lower interest rates with the stability of a fixed-rate product, according to consumer money resource Bills.com's recently released Quarterly Mortgage Report.

“Homeowners are actively seeking out the sweet spot between long-term stability and the lowest possible interest rate,” says Ethan



Ewing, president of Bills.com. “Fortunately, current market conditions make it possible to lock in that stability and secure very low rates and payments.”

The Bills.com Quarterly Mortgage Report aggregates user data and choices from its mortgage recommendation engine and various mortgage calculators and tools.

Other findings include:

- ✱ 39 percent of borrowers in Q3 said the lowest possible interest rate was the most important factor in choosing a loan, versus 41 percent in Q2
- ✱ 23 percent of borrowers in Q3 said the lowest possible monthly payment was the most important factor in choosing a loan, versus 21 percent in Q2
- ✱ 76 percent of consumers in Q3 preferred a higher, fixed rate to a lower, variable one
- ✱ 72 percent of borrowers in Q3 plan to remain in their homes for more than seven years.

Inter-family Loans Making More Sense



The national newspaper *USA Today* reports an increase in family-based mortgages that are helping young people buy their first homes, while giving seniors a good return on their investments — providing their children and grandchildren are trustworthy.

The newspaper quotes National Family Mortgage Company as noting that safe investments for retiring baby boomers, such as certificates of deposit, are now paying well below one percent, while mortgages return about four percent.

National Family Mortgage CEO Timothy Burke said allowing older family members to make mortgages to younger members makes

sense because the younger family members can take advantage of today’s low home prices, avoid tight lending standards, and circumvent closing costs.

Younger family members also may deduct the interest from their taxes, provided the loan is registered with a government agency.

AGENTS’ CORNER

Can Groupon Get Buyers Moving?



More small businesses, including those in the real estate industry, are jumping onto the Groupon bandwagon, creating deals to get potential homebuyers moving. It can create buzz about your business, too.

Groupon, which launched in 2008, offers daily deals on products and services and boasts more than 115 million subscribers in 175 North American markets.

An article at Fox Business News highlights how some real estate professionals are using Groupons: “Through list marketing, a real estate agent could send out a promotion to local residents offering home sellers \$500 back at closing for \$25. The agent could offer the deal October through December, which are typically slow months for home sales. To foster loyalty, the agent could send a similar deal out next year, but only to her previous customers.”

Are Your Listing Photos Driving Traffic Away?



You see them all the time when searching the MLS: listings with no photos, just one exterior shot, or photos that are so poorly taken they’re (almost) comical. In an age where buyers lack the attention span to read



text, pictures are more important than ever. Yet many agents don't seem to have a handle on taking attractive photos.

A study by a national real estate brokerage compared homes photographed with a DSLR camera and those photographed with a point-and-shoot camera. Though the homes were comparable, the sales prices of properties with better pictures were significantly higher than the others.

With the right equipment and a little training, anyone can learn to take great listing photos. Today's digital cameras are smarter and more forgiving than older film equipment. Here are three helpful tips to make listing photos more inviting:

- 1 Use a DSLR (digital single-lens reflex) camera with a wide-angle lens.** A point-and-shoot camera just can't zoom out wide enough to get a full shot of the standard 8' by 10' second bedroom. It takes a wide-angle lens set at about 10mm to 11mm to show a room of that size in its entirety. Without that, your pictures will make smaller rooms look cramped and uninviting.
- 2 Use a second flash attachment, set to "slave mode," to fill in dark spots.** Most people don't know that you can set most flash attachments to "slave mode," where a light sensor on the flash causes it to fire when it sees another flash go off. Professional photographers use these all the time. The slave flash gives you a powerful second lighting source so the light doesn't just come from the same angle as the lens.
- 3 The tripod is your friend.** Many amateur photographers view the tripod as an unnecessary expense and encumbrance. However, when shooting interiors, it can be a huge time-saver. Once you have set the tripod up and framed the shot, you can then make minor adjustments to the lighting, fluff pillows, etc. The camera stays in the same position and you can clearly see what needs to be changed. This saves lots of time in the long run and keeps you from

wondering where you put the camera.

Bottom line: Most buyers start their search online, and they want to see pictures. Listings with great photos capture buyers' attention, drive traffic into the home and result in more leads and faster sales.



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