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REAL ESTATE DIGEST

PRACTICAL REPORTS ON TAXES, FINANCING, MARKETS, LAW AND TECHNOLOGY

Green Acres is the Place to Be as Urbanites Nab Country Real Estate

Urbanites tired of crammed city living and suburban sprawl are finding a little piece of heaven in the country, and farmers are feeling the pinch.

John Miranowski, an economics professor at Iowa State University, said U.S. residents are enjoying an affluent economy and are demanding more living space, which puts pressure on land at the edge of urban boundaries, particularly farm land.

"Sprawl is a local problem, not a national problem. Thus, it is not having a major impact on the productive farmland base but it may be having an impact on the local farming base," he said.

In some areas, residents are buying "farmettes" or "ranchettes," which are small, subdivided farm or ranch plots that are generally used for residential purposes. "This is a form of sprawl – a

form of loss of productive farmland – but we're not in a country where we've got a real shortage of farmland," said Jill Schwartz, a spokeswoman for American Farmland Trust.

In the 1980s and 1990s in particular, she added, the amount of land per person for new housing almost doubled. "To us, that's really telling. People want a little bigger piece of land a little farther from the city. If you had the same amount of development on smaller pieces of land or land closer to the cities, you wouldn't have the same problem," said Schwartz.

According to the Farmland Information Center, a national clearinghouse for farmland protection information, about 11.4 million acres of rural land were converted to developed uses from 1992-97, including about 2.42 million acres of

prime agricultural land. And about 1.23 million acres of agriculture land convert to developed uses each year, on average.

"There is no doubt that development is having a huge impact on agricultural land and that's because so much of the nation's high-quality agricultural land is actually located close to cities," she said. "In the 1990s the nation lost farm and ranch land 50 percent faster than it did in the 80s," said Schwartz.

While development of rural land has escalated, so have ag-land preservation efforts, she said. And while American Farmland Trust is not opposed to development of farmland, Schwartz said, it is working to steer development away from prime farmland.

Schwartz said there are many examples of successful farmland preservation efforts around the country, and these programs typically require the support of government agencies. "As a very basic start, ideally you need to have a county or township with some sort of comprehensive plan that lays out these (protection) programs," she said.

INVESTING

Investors Less Bullish On Real Estate



Over the past 12 months, there has been a sharp drop in the percentage of investors across all age groups who plan to purchase real estate within three to five years, accord-

ing to an annual survey released by the MainStay Investments division of New York Life Investment Management LLC.

In 2005, 13 percent of GenXers plan to add real estate to their portfolio, the survey found, compared with 32 percent in 2004. Five percent of Boomers plan to add real estate, compared with 18 percent in 2004. And six percent of mature buyers in 2005 plan to add real estate, down from 16 percent in 2004.

"Though most media signs point to a never-ending real estate boom, actual investor intentions from the Generations survey indicate fewer assets allocated to future real estate purchases," said Beverly Moore, managing director of Wealth Strategies at MainStay Investments.

TRENDS

Cities Battle "Mansionization"



The trend toward building ever bigger houses, which has gained momentum for over a decade in suburbs across the nation, has now arrived in one of America's largest bedroom communities: the San Fernando Valley. This past summer, the Los Angeles City Council approved the first "anti-mansionization" ordinance in one small section of the country's second-largest city. More L.A. enclaves are lined up to follow suit.

"Mansionization has become one of the most pressing issues in my

district," says Wendy Gruel, the city councilwoman who sponsored the legislation. The measure limits homes built on lots of 8,000 sq. ft. or less to 2,400 sq. ft. or 40 percent of the lot size, whichever is greater.

"It's a quality of life issue that goes to the heart of many of the values that Americans cherish," says Gruel.

As in other cities across the US where the issue has already forced a clash of values, long-established residents are rankled by prospective owners who want bigger or different styles of homes. Developers actively promote the benefits of building as do some city officials eager to gain the benefits of higher property taxes that support school, police and fire departments.

Younger generations, who often want bigger rooms for electronic entertainment and state-of-the-art kitchens, eschew the millions of pill-box homes built after World War II. Immigrants from Asia, Iran and the Middle East have dreams of homes with cathedral ceilings and often say they have little use for spacious yards.

"This is a phenomenon that is impacting every city and community in America," says Siim Soot, research professor at the Urban Transportation Center, University of Illinois at Chicago. "For decades, the demographic trend has been for cities to sprawl further and further outward because of the American sense of dream and entitlement to own one's home. Now more and more are looking at ways to achieve that by altering the very idea of residence in already established communities."

Loving Junk, Buyers Want More Garage Space



The latest Census numbers on housing trends suggests a growing number of home buyers want three-car garages, but not necessarily to house three cars. According to the National Association of Home Builders, areas where three-car garages are

most in demand are the same areas where basements are rarely included in home construction.

The NAHB attributes demand to the growing need for more storage space for things like garden tractors, snow blowers and other large lawn devices, as well as powered recreational vehicles such as snow mobiles. The Census Bureau says about two-thirds of all homes have at least two-car garages and 19 percent have three-car garages.

"Fore!" Golf Course Homeowners Swing Back



Homeowners living along a golf course have scored with an appeals court, winning a ruling that golfers who come onto their property to retrieve errant golf balls are guilty of "continuing trespass."

The lawsuit was filed by homeowners bordering Rehoboth, Mass.' Middlebrook Country Club. Among items produced as evidence were 1,800 golf balls – just part of what the owners had collected in the last five years. The appeals court has ordered a lower court to come up with a solution to the problem.

The owners contended they were prepared to put up with occasional bad shots, but not the barrage of balls that had hit family members, windows, siding and landed in swimming pools. The club owners said they already had tried to address concerns by planting trees and redesigning some fairways.

MARKETS

Vacation Homes Still Hot



EscapeHomes, which tracks the second home and vacation home market, says Orlando continues to be the hot spot for vacationers and investors. The company said Internet

surfers looking for properties searched in Orlando more than any other city.

Following Orlando in the Top 10 were: Destin, Fla.; Naples, Fla.; Myrtle Beach, S.C.; Ocean City, Md.; Phoenix; Venice, Fla.; Galveston, Texas; Bend, Ore.; and Las Vegas.

Detroit Most Expensive Place To Operate a Car



You might not think it, but Motor City tops the list of the most expensive places to operate a vehicle, according to the research firm of Runzheimer International.

According to the company, based on a four-door sedan and 15,000 miles per year, Detroit, Philadelphia and Los Angeles are the most expensive places to operate a car and Knoxville, Sioux Falls and Grand Forks, Neb., were the least expensive. The cost in Detroit is \$11,844 and in Grand Forks about \$7,400.

Foreigners Buying Up Florida



The Florida Association of Realtors has released a survey showing international buyers accounting for up to 15 percent of home

sales in Florida.

According to the study, buyers from Europe accounted for 58 percent of foreign purchases, with a third of them coming from the United Kingdom. Buyers from South America, Central America and the Caribbean comprised a third of all international buyers.

About a third of foreign buyers purchased homes in Miami and Fort Lauderdale. About 23 percent bought in the Orlando area, followed by the Naples-Fort Myers and Tampa-St. Petersburg areas.

Meanwhile, the Census Bureau has released a report showing that Florida is home to many of the nation's

fastest-growing counties. The bureau's top 10 fastest-growing counties are:

- 1 Flagler County, Fla.
- 2 Madison County, Idaho
- 3 Loudoun County, Va.
- 4 Henry County, Ga.
- 5 Newton County, Ga.
- 6 Pinal County, Ariz.
- 7 St. Lucie County, Fla.
- 8 Sumter County, Fla.
- 9 Paulding County, Ga.
- 10 Fannin County, Ga.

Disabled Frequently Face Discrimination



A new HUD study shows that people with disabilities are dramatically more likely to be discriminated against than people who are not impaired. The study

found that hearing-impaired people were discriminated against approximately 50 percent of the time when using a telephone-operator relay to search for rentals. Mobility impaired people using wheelchairs faced discrimination about a third of the time when they visited rental properties.

LAW

North Dakota Hopes to Subtract Commissions From Property Values



Government leaders in North Dakota are trying to offer citizens some property tax relief and may

start discounting a theoretical six percent sales commission off the value of properties to ease the tax burden some.

Proponents of the idea say land values are based on sales history, which includes real estate commissions. That theoretical commission, they say, should be subtracted from a property to give it a true appraisal value. The state also is considering plans to use a three-year average on a property's value, which would soften the impact of the latest run-up in prices.

MORTGAGES

Cash-out Refinancing Up



A full 74 percent of Freddie Mac-owned loans that were refinanced in this year's second quarter resulted in new mortgages with

loan amounts at least five percent higher than the original mortgage balances, the mortgage giant reported.

Lower than expected interest rates in this year's second quarter spurred the spate of cash-out refinancings, Freddie Mac said. This is in contrast to the first quarter of 2005, when 64 percent of refinanced loans had higher new loan amounts, and was the highest since the fourth quarter of 2000, Freddie Mac said.

Freddie Mac expects home sales to hit a new record again in 2005 as low fixed mortgage rates combined with teaser discounts on adjustable-rate mortgages maintain affordability, even as home prices rise, the company said.

Freddie Mac also expects 30-year fixed mortgage rates to rise through the end of the year, ending with a fourth quarter average near six percent, approximately a quarter of a percentage point higher than the second-quarter average, the company said.

"The cash-out refinance volume reflects, in part, borrowers responding to the fact that they may not be able to obtain such favorable rates in the future to fund home improvements or other big purchases," the deputy chief economist said.

AGENT'S CORNER

What Do Consumers Want In an Agent? Integrity



Buyer and sellers alike look for the qualities of integrity, prompt response time and commitment

when choosing a real estate agent, according to a new survey.

Realty Executives International queried consumers and agents in the Kansas City, Boston, San Diego and Orlando, Fla., metropolitan areas for the survey. The company's Phoenix franchise also conducted research in its local market.

While many consumer and agent responses were similar within the study, results revealed that, very often, there was a disconnect between the two groups when it comes to what characteristics matter the most to consumers.

Most survey participants agreed that the integrity of an agent is the single-most important factor in their choice. Nearly 90 percent said that prompt and responsive behavior is very important, as well as the real estate agent's commitment to helping the consumer buy or sell a home.

Fees and length of time in the market also weighed in heavily on consumer decisions, according to the survey. The survey also found that consumer loyalty lies more with the agent than with the brokerage company.

Less important factors when choosing an agent included

advertising and affiliation with a specific company, the survey noted.

Study: Banks Would Invigorate Industry



A joint study by the American Enterprise Institute and Brookings Institute recommends that for real estate brokerage to be more competitive, and consumers to have lower prices, banks should be allowed into brokerage, states should stop passing minimum service laws and regulators should keep a closer watch on the industry.

The study says there is no reason for Congress to continue to keep banks out of real estate.

"There is no defense for a Congress ostensibly interested in limiting the tax burden on Americans to defend what amounts to an artificial 'tax' on home buyers resulting from an industry that has yet to take full advantage of the digital revolution."

The study, "Paying Less for Brokerage: What Can Make That Happen.," is available at www.aei.org.
brookings.org



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