

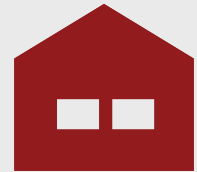
Real Estate Digest



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Going Green: More Homeowners, Builders Are Adding Energy Efficiency into Their Plans

After years on the fringe, green homes with solar panels, tankless water heaters and walls insulated with straw are increasingly moving to the mainstream. These features are even becoming fixtures in new housing developments, not just in custom-built houses.

In Vermont, officials say a third of the 3,000 new homes built there every year over the past few years have voluntarily adhered to rigorous energy-efficiency standards, as set by the national Energy Star program.

In California, Gov. Arnold Schwarzenegger's plan to help fund solar rooftops on a million new homes was approved by the state's Public Utilities

Commission last year. Industry officials project as many as 50,000 solar homes a year will be built in the state by 2015, compared with about 1,000 projected for this year, accounting for roughly a quarter of California's annual rate of new-home construction. North Carolina is using loans and rebates to help subsidize solar systems on 3,000 homes by 2010.

Long way to go

Nationally, green homes are projected to increase to between five percent and 10 percent of U.S. housing starts by 2010, from 2 percent in 2005, according to a report last June by the National Association of Home Builders (NAHB) and McGraw-Hill Construction.

The growing popularity of energy-saving construction comes amid a flurry of new

interest in combating climate change, reducing dependence on foreign oil and developing alternative energy sources such as wind and solar.

Experts say green features generally add anywhere from three percent to five percent to the total cost of a new-home project. A photovoltaic roofing system easily runs \$30,000 or more on a large house. Although government subsidies can halve that cost, the payback in energy savings can take as long as a decade.

Yet the cost-benefit aspect of installing green technology is improving. A decade ago, a similar photovoltaic system cost \$60,000.

And there are potential downsides to green building. Some homeowners have had to solve ventilation problems that arise when walls and windows are too well insulated, putting occupants at risk of

toxic exposure to chemical fumes emitted by carpet, paint and other materials. Most reputable builders now make sure green homes allow a healthy inflow and outflow of air.

Tipping point?

Today, heating and cooling of homes accounts for about 20 percent of U.S. energy use, according to federal estimates, and the movement toward greener homes is likely to help curb the country's emission of greenhouse gases, experts say. And a survey last year by McGraw-Hill Construction found that for the first time, a majority of U.S. builders said they planned to use green features in at least 16 percent of their homes by 2007 – in what NAHB officials call “a tipping point” in builders going green.



MARKETS

NAR: Market Likely to Strengthen in 2007



The housing market has made a soft landing and will gradually pick up again over the next several months. That's the prognosis from National Association of Realtors economist David Lereah.

"Despite the doomsayers, household wealth will not evaporate and the economy will not go into a recession. If you're in it for the long haul, housing is a sound investment," Lereah said.

The national median existing-home price is expected to rise 1.9 percent to \$226,200 in 2007, after rising 1.1 percent in 2006. The median new-home price is expected to increase 1.8 percent to \$249,800 in 2007, and in 2008 existing-home prices are forecast to rise 3.2 percent, while new-home prices are forecast to rise 3.4 percent.

The unemployment rate is expected to average 4.7 percent in 2007, compared with 4.6 percent in 2006. Inflation, as measured by the Consumer Price Index, is projected at two percent this year, down from 3.2 percent in 2006, while growth in the U.S. gross domestic product is expected to be 2.8 percent in 2007, down from 3.4 percent in 2006. Inflation-adjusted disposable personal income will probably rise 3.7 percent in 2007, up from a gain of 2.7 percent in 2006.

Migration Continues To West & Southeast



United Van Line's annual study of migration patterns of its customers finds Americans are continuing to move West

and Southeast. Based on 227,254 moves last year, United found that North Carolina was the top destination, with 64.0 percent of moves being "inbound."

Michigan and North Dakota tied for having the highest "outbound" ratio, 66.0 percent each.

After North Carolina, other top inbound states were:

Oregon	(62.5%)
South Carolina	(60.6 %)
Nevada	(59.9 %)
Idaho	(59.3 %)

After Michigan and North Dakota, the top outbound states were:

New Jersey	(60.9 percent)
New York	(59.5 percent)
Indiana	(58.2 percent)
Pennsylvania	(57.0 percent)

Record Property Sold in California



Under the heading "but what about those property taxes?" Sotheby's International is claiming a record property sale, announcing it has sold a \$155 million residential listing that sits along nine miles of California coastline.

Neither the selling price nor the buyer has been disclosed. The sale was of the combined Rancho El Cojo and Jalama Ranch, adjoining properties north of Santa Barbara. The sale included 24,000 acres and nine miles of Pacific coastline.

MORTGAGE

Cash-out Refinancing in Decline as Rates Rise



Cash-out refinance volume is expected to continue on a downward trend for the remainder of 2007, due to an expected

drop in the share of refinance loans and overall origination activity, according to Freddie Mac.

Some 84 percent of borrowers who refinanced during the fourth quarter of 2006 ended up with mortgages that were at least five percent higher than their original balances, Freddie Mac said, down from 87 percent in the third quarter of last year. Cash-out refinances totaled \$70.7 billion, down from \$80.2 billion in the final quarter of last year.

With interest rates averaging 6.2 percent, many families found it cost effective to cash out equity through a new first mortgage even though it raised their rate. With the prime rate at 8.25 percent, a home equity loan or line of credit based on that rate may not make sense if the financing need is large, like a major home improvement or college tuition payments, and will be paid back over several years.

ARM Owners Feeling the Pinch



Adjustable rate mortgages sounded good at the time, but now all those low interest rate loans are steadily rising and putting the pinch on a larger number of homeowners.

"While interest rates are expected to be flat or up slightly in 2007, there are roughly \$500 billion in outstanding first-lien adjustable-rate mortgages that will see a monthly payment increase due to an interest-rate reset, the start of amortization, or both," said Amy Crews Cutts, Freddie Mac deputy chief economist.

Other homeowners have second liens that adjust each month depending on changes in the prime rate, she said, and Freddie Mac expects that many borrowers facing payment increases this year will refinance those loans.



Banks Move Earlier To Curb Foreclosures



As the number of borrowers falling behind on their mortgage payments climbs to the

highest level in five years, the mortgage industry is trying new strategies to help bail them out, according to an article *The Wall Street Journal*.

To head off problems, mortgage companies are reaching out to borrowers earlier. Bank of America Corp. is allowing some borrowers with ARMs to refinance into a different loan at no cost. Citigroup Inc.'s CitiMortgage unit is focusing extra attention on parts of California, Florida and New York where home prices have moved up sharply. It is also contacting delinquent borrowers within days after a missed payment, if it doesn't fit their normal bill-paying habits.

The rise in bad loans also is leading to a pickup in so-called short sales, in which a lender allows the property to be sold for less than the total amount due and often forgives the remaining debt. For the lender, the process can be shorter and less costly than foreclosing, especially in a declining market. For borrowers, it is a way to avoid having a foreclosure on their credit report.

TRENDS

Vacancies Alter Market Landscape



Here is one reason analysts are being careful not to wave the all-clear sign: A large number of homes for sale are unoccupied.

In the third quarter of last year, there were 5.7 million vacant housing units for sale or rent, accounting for a record 4.6 percent of all U.S. homes.

The average in the 1990s was about 3.5 percent.

To get this ratio back to normal, 1.3 million vacant homes would need to be occupied.

High vacancy rates have other effects, points out Credit Suisse analyst Ivy Zelman. When an occupied home gets sold, the seller has to buy or rent another house. When a vacant home gets sold, the seller doesn't have to do anything. That sets off a chain reaction that ripples through the housing market.

The owners of those unrented, unsold homes bear costs. They have insurance, the lawn guy, taxes and, often, a mortgage to pay. Seeing those costs pile up can motivate an owner to sell or rent at much lower prices. When a house sells at a lower price, other would-be buyers expect lower prices as well. When it rents for less, it becomes a more-attractive alternative to buying.

The good news (yes, there is good news) is that trouble in housing hasn't spelled trouble for the rest of the economy. Recent jobs reports showed that. Meanwhile, low interest rates give households more buying power.

Home Buyers Share Their Druthers



A study conducted by Countrywide Home Loans has found that 43 percent of women felt they did not spend enough time shopping for a home before buying one, while 23 percent of men said the search

took too long.

In other areas, men and women generally agreed they do could do some things to improve the home buying experience, including:

- ★ 25 percent wish they had saved more money for the down payment and closing costs.
- ★ 25 percent wish they knew more about the process.

- ★ 22 percent wish they had purchased a new home.
- ★ 21 percent said they would have purchased in a different neighborhood.

AGENTS' CORNER

Housing Slump Shakes out Agent Ranks



The long-awaited shake-out among real-estate agents is finally happening – much to the relief of those who are sticking with the business and

prefer a bit less competition. The National Association of Realtors said it expects the ranks of agents to decrease by about 6 percent to 8 percent from the record of nearly 1.4 million reached in 2006.

The culling of agent ranks is a reaction to the downturn in housing that started around mid-2005. Sales of previously occupied homes last year declined eight percent to 5.7 million, even as the number of agents continued to increase for the year as a whole.

Even before sales slowed, people in the industry said far too many agents were chasing too few deals. If hordes of inexperienced agents are scrapping for business, says Christopher Galler, a senior vice president of the Minnesota Association of Realtors, that can only lead to “a race to the bottom in fees.”

More competition on commissions could strike many consumers as a good idea. Mr. Galler argues the result would be poor service. He says more productive agents, who complete 20 or more transactions per year, are better at solving problems than those who do only a few deals annually.

The industry probably has 20 to 25 percent more agents than it needs, says Ronald Peltier, chief executive of Home-Services of America Inc., a Minneapolis chain that owns brokerages in 19 states.

Mr. Peltier says his company, which has about 21,000 agents, is determined to boost productivity and is nudging out agents who are dabbling in real estate.

NAR Launches National Advertising Campaign



When your product is not selling, what do you do? Advertise.

That's the philosophy, anyway, of NAR, which is bankrolling a new round of advertising to convince the home-buying and -selling public that now is a perfect time to enter into a real estate transaction.

The 1.3 million-member-trade association is spending \$40 million on the campaign, which will include television and radio spots through November. Much of the money will buy advertising spots on ABC's Extreme Home Makeover series, plus spots on ABC's Good Morn-

ing America show and CBS's Morning Show and The David Letterman show. Spanish-language commercials also are scheduled to run on the Univision, Tel-emundo and Galavision networks.

Internet Crusade Re-launches As RealTown.com Portal



Real Estate Electronic Publishing Company, better known in the industry as The Internet Crusade, a professional-to-professional communication network in real estate, has re-launched its RealTown.com Web portal.

CEO Saul Klein said the site offers "real estate professionals and consumers a one-stop resource for all matters related to real estate and the real estate industry, including an opportunity to tap into the extensive expertise of noted and recognized real estate experts."



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