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REAL ESTATE DIGEST

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

Retiring Boomers Are Reshaping Real Estate Marketplace

All over America, baby boomers are parking the minivan, junking the lawn mower and racking up unprecedented sales in resort-style subdivisions, luxury condominiums and mountain or beach vacation retreats. Not surprisingly, builders and developers throughout the nation are retooling their offerings to satisfy the needs of these estimated 76 million boomers, according to an article in *The Atlanta Journal-Constitution*.

"They're buying everything and they're buying it everywhere," says market analyst Tim Sullivan of San Diego, who charts boomer trends for developers.

Of more than one million U.S. home sales anticipated in 2006, Sullivan estimated more than 300,000 will be to baby boomers.

Retirement waves

The first wave of baby boomers is beginning to retire. But compared to their parents, the so-called Greatest Generation, boomers as a group are more mobile, less frugal and healthier.

"The inherited wealth that's coming is huge because of the savings of the generation before, and these baby boomers will spend it," said David Tufts, president of Coldwell Banker's The Condo Store. "This buyer has now transcended the traditional buyer profile."

Michael Kephart, a Denver architect who designs communities nationwide for over-50 buyers, said that boomers are attracted to spaces that are open, informal and imaginative.

"They don't have to show anybody anything. They don't have to impress

anybody," Kephart said.

Retirement for the boomers may involve rocking chairs but only after two sets of tennis, 18 holes of golf or a vigorous day hike. For many, it will be a time to realize dreams deferred in the interest of family responsibilities or an opportunity to devote pent-up energy to dormant passions neglected during their prime earning years.

"They're not retiring," Tufts said. "They're moving on."

Splitters take two

Some boomers are dividing their resources between a chic smaller primary residence and a vacation home. Builders and developers have come to refer to these homeowners as "splitters."

But others are looking for a package deal. These home buyers are scouting the housing market not only for homes built to accommodate them as they age, but communities packaged with a wide-ranging buffet of built-in recreational activities and home maintenance services.

Casey Hill, president of the

Georgia division of Pulte Homes' Del Webb brand, which specializes in housing for adults over 50, said marketing to the aging boomers entails a far different set of amenities than earlier senior markets.

"They're no longer playing shuffleboard," Hill said. "They're skydiving."

TRENDS

2006 Sales Are Strong but Not Expected to Set Records



New numbers from NAR forecast that 2006 home sales will fall below the record years of both 2004 and 2005, but will remain "historically strong."

According to NAR, existing-home sales are likely to decline 4.7 percent to 6.74 million this year, down from a record 7.07 million units in 2005, while new-home sales are expected to fall 8.5 percent to 1.17 million from a record 1.28 million in 2005. If true, both sectors would see their third best year after the totals for 2005 and 2004.

Trump Mansion Leads List of Most Expensive Listings

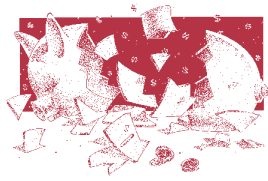


Unique Homes magazine is reporting the 1,000 most expensive homes for sale in the nation run from Donald

Trump's \$125 million "Maison de l'Amitie" in Palm Beach, Fla., to a \$7,995,000 home also in Palm Beach.

The magazine, which considers itself the marketing venue of choice for upscale real estate brokers and their wealthy clients, says a third of listings on its Top 1000 list are in New York, followed by California with 183 listings and Florida with 174. A total of 38 states are represented on the list.

Number of Foreclosures Going Up



RealtyTrac says in its latest foreclosure properties report that 846,982 properties

nationwide entered some stage of foreclosure in 2005, and that there was a 25 percent increase in the number of new foreclosures from the first quarter to the fourth quarter.

"Overall U.S. foreclosure numbers climbed steadily over the course of the year, with more new foreclosures reported in every quarter," said James J. Saccacio, chief executive officer of RealtyTrac. "This trend appears to be moving the real estate foreclosure market back to its historic levels."

Saccacio emphasized, however, that, "Even with almost 850,000 properties entering some stage of foreclosure, this represents less than one percent of all households."

Fannie Defends Loans For New Construction



Fannie Mae is defending its proposal to make loans available for new construction, saying banks should

not be alarmed because it intends to remain "a small player in a big market."

Fannie Mae CEO Daniel Mudd said the government-sponsored enterprise plans to offer \$10 billion in residential construction loans. Banks have criticized the move because the organization can borrow money from the government at rates more favorable than banks offer. Mudd also said Fannie's entry into construction lending could help even out periods when banks tend to shun construction loans.

Homeownership Rates Drop Slightly in Q4



According to U.S. Census Bureau figures released in February, home ownership rates took a slight drop between

fourth quarter 2004 and fourth quarter 2005, from 69.1 percent to 68.9 percent. This marked the first such drop since 1993. During the fourth quarter 2005, the Midwest had the highest homeownership rate (72.8 percent), followed by the South (71.1 percent), the West (64.6 percent) and the Northeast (65.4 percent).

By age, people 55+ are the most likely to own a home (80.6 percent). Among those age 45 to 54 years old, 76.7 percent own homes, while 69.7 percent of those age 35 to 44 do. Homeownership rates are lowest for those under age 35, at 43.1 percent.

Remodeling Hits Record, Decline Expected



Home improvement spending grew to \$149.5 billion in 2005, a 4.3 percent increase over 2004, according to a report

from Harvard's Joint Center for Housing Studies. Center director Nicolas Retsinas said, however, the market will likely decline in 2006.

"Rising short-term interest rates and slowing home price appreciation have tempered homeowner spending on home improvements," he said.

Internet Playing Greater Role In Decision Making



A new report from the Pew Internet Project shows that 45 percent of American Web

surfers – about 60 million people – say the Internet has played an important role in helping them make at least one critical decision affecting their lives.

According to the survey, the most important life element assisted by the Internet was career training, reported by 21 million users.

In order, other important uses were:

- * Helping another person with a major illness, 17 million.
- * Choosing a school or choosing one for a child, 17 million.
- * Buying a car, 16 million.
- * Major investment, 16 million.
- * Purchasing a home, 10 million.
- * Changing jobs, eight million.
- * Dealing with a personal illness, seven million.

LAW

EPA Wants New Rules For Lead-Based Paint



To reduce lead-based paint hazards, the Environmental Protection Agency is recommending that new rules be established for remodeling homes built before

1978 – the last year that lead-based paint could be used in residences. The EPA proposal would create the first nationwide requirements covering the way contractors perform routine renovations and clean up afterward.

For any work that would disturb lead-based paint – including removing paint, taking down wallpaper or replacing windows – contractors would have to take various steps to minimize client exposure, including using special vacuums, sealing off work areas and posting warning signs. The Home Builders Association estimates the regulations could increase the cost of renovating pre-1978 homes by 25 percent.

MARKETS

Some Katrina Victims Spared Foreclosures... For Now



Freddie Mac announced it is extending its foreclosure suspension until May 31, 2006 in 21 counties and parishes in Alabama, Louisiana, Mississippi and Texas that suffered the most severe damage due to Hurricanes Katrina and Rita. At the same time, Freddie Mac said it would lift the moratorium on foreclosures in areas that experienced the least damage.

“We are replacing our one-size-fits-all approach with a zone approach,” explained Janet Eakes, senior vice president of Freddie Mac’s operations division. “Our servicers have done an outstanding job helping borrowers with Freddie Mac owned loans in the immediate aftermath of the storms.”

Asian-Americans Reinvesting In Homeland Properties



The San Jose Mercury News is reporting that Asian-Americans, increasingly unable to afford property in California, are investing back in their countries of origin.

The newspaper said a number of foreign developers have begun marketing to buyers through California mortgage brokers. The *Mercury News* said ethnic radio stations and newspapers in San Francisco have begun carrying ads for developments in China, the Philippines and Vietnam, and that many housing projects are direct copies of American developments. In one recent month alone, real estate agents in the San Francisco area took deposits for 230 condos near Shanghai, which averaged \$80,000 each.

TECHNOLOGY

Toyota To Build U.S. Homes



Japanese home builder Toyota, owned by the auto manufacturer, has announced an agreement with Ventana Homes to build 50 new houses in a development near San Antonio. The houses reportedly will be priced between \$150,000 to \$250,000.

Toyota Housing Services, a U.S. division of the Japanese-based company that builds homes around Tokyo, said it had purchased the Texas land from U.S. builder Pulte. Ventana Homes was founded by former San Antonio mayor and HUD secretary Henry Cisneros.

Computers to Help Reduce Energy Costs



The Department of Energy is running two experiments with 300 homeowners in the Northwest to see if computer chips installed in some appliances can help reduce energy consumption during peak energy loads.

In one study, some homeowners will have sensors installed in things like dryers and water heaters. When the regional power grid is under stress from demand, the appliances sense the stress and automatically cut back until the load eases.

The other study allows consumers to program energy use according to kilowatt price – which can change every five minutes. Energy use will be reduced during high-cost periods and increased during low-cost periods.

AGENT CORNER

Customer Service Still The Key to Great Sales



“You want to be the first agent in contact with the home buyer or seller,” said Matt Heinz, senior

director of marketing for HouseValues. "You want to follow up quickly. And you want to stay in touch – frequently."

Since the average person researches real estate online 12 to 18 months before closing, managing customer relationships is a key element of success for brokerage companies and sales agents, says Heinz.

"If they (the prospect) are not buying for many months, they still want to hear from you," Heinz said.

One of the best practices his company teaches is to send useful information, not sales pitches, to prospects, the marketing director said, echoing comments made by many real estate agents.

"You want to put yourself in front of someone and be direct – 'I am ready to help you put your home on the market when you are ready,'" said Heinz.

However, Heinz cautioned, it's important not to be intrusive.

"Let them drive the timeline," Heinz said. As prospects do their research and amass the information they need to make decisions, they will decide when it's time for action.

Another best practice: "Make yourself an expert on the neighborhood," Heinz said. Advice about local businesses, local vendors, schools, nightlife, weather and any number of things can make an agent stand out, he said.

"Consumers these days are savvy. They will see right through a sales pitch," she said. "What they want is mortgage rates, insurance information, and information about the area they are moving to. We try to make whatever we send them valuable information."

NAR Begins Anti-FSBO Campaign



The National Association of Realtors' public campaign to improve the image of Realtor members has begun its ninth year, with \$25 million worth of advertising being largely focused on radio and television.

The trade association added a new advertisement this year entitled "Don't try this at home," which warns for-sale-by-owner sellers that selling a

home can be a difficult chore. NAR statistics show that FSBOs tend to sell for 16 percent less than homes sold through real estate agents. NAR ads will air on TV shows such as Extreme Makeover Home Edition, CSI Miami and The George Lopez Show. This year's campaign will run through the end of September.



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