



# Provident Title & Escrow, LLC



## Burke

6045-D Burke Centre Parkway  
Burke, Virginia 22015  
(703) 239-9600  
(703) 239-0605

## Springfield

7202-B Old Keene Mill Rd.  
Springfield, VA 22150  
(703) 451-6600  
FAX (703) 451-1181

## Lorton

8971 Ox Rd. Suite 190  
Lorton, VA 22079  
(703) 495-9600  
(703) 493-9302

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## REAL ESTATE DIGEST

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

# Industry Pros, Consumers Remain Optimistic in Face of 'Bubble Talk'

**D**espite media reports that the housing market faces a major adjustment, a study released this summer shows consumers are confident real estate values will remain solid even if mortgage rates increase.

Three-quarters of respondents to ING Direct's most recent homeowner study said they had very little concern about the future value of their homes. The study is based on a national survey conducted by Synovate, a global research firm.

### Lowered expectations

While homeowners felt their homes have increased in value by approximately six percent in the last year, they only expect values to increase by about four percent in the next 12 months.

Real Estate Center Chief Economist

Mark Dotzour said the survey shows many Americans are questioning media reports that a housing bubble is about to burst. While sales contracts may be declining, home price appreciation is a red-hot 12.54 percent for the entire nation.

"This is still extraordinary price movement," he said. "You have to go back to 1979 to find this level of appreciation prior to the current boom."

### Pros stay bullish

And it's not just consumers feeling rosy. Findings of the third-annual Bryan Cave Real Estate Executives' Forecast Survey show that nearly two-thirds (63 percent) of real estate professionals surveyed believe the United States real estate market will strengthen (16 percent) or stay the

same (47 percent) within the next 12 months, compared with 35 percent who believe the market will weaken.

"The survey reveals that most real estate professionals have faith in the real estate market, contradicting recent news coverage suggestions that the real estate market is likely to falter," said William B. Tate II, a partner in Bryan Cave's Real Estate Group.

"The market may not be continuing to grow as rapidly as it has in recent years, but investors feel real estate is still a solid investment. We believe the survey suggests that real estate professionals have reason to be optimistic."

In addition, the survey found that real estate investment professionals are still bullish on real estate. When asked in which United States region they would invest, 32 percent said the Northeast, 18 percent chose the Pacific Coast, and 15 percent mentioned the Southwest. Real estate respondents were particularly interested in investing in metropolitan office buildings (17 percent) and metropolitan and suburban multi-family high-rise residential buildings (13 percent).

## TRENDS

### College-Educated Young Favor Place Over Jobs



A great place or a great job? Most college-educated people ages 25-34 will take the great place, thank you.

About 64 percent of respondents to a Yankelovich, Inc. study

stated that they would look for a job in a place where they would like to live, with only 36 percent stating that place was a secondary consideration when looking for a job, according to the report, "Attracting College-Educated Young Adults to Cities."

About 69 percent of women respondents and 60 percent of men respondents said that place was a priority.

About 42 percent of respondents said they would consider living in a downtown area, 59 percent would consider living in a neighborhood near the downtown, 66 percent would consider living in a neighborhood within the city but not near the downtown, 70 percent would choose suburbs close to the city, 43 percent would choose suburbs far from the city, 45 percent would choose a small town and 34 percent would choose a rural area.

About 75 percent of respondents said they are likely to visit for a weekend before choosing a place to live, 72 percent would look at houses or apartments, 72 percent would talk to friends who currently live there, 67 percent would talk to family who live there and 65 percent would go to local Web sites.

Among other findings: Basic quality of life issues ("clean and attractive," "can live the life I want to lead," "safe streets and neighborhoods," "can afford to buy a home," "lots of parks and green space") ranked highest among attributes that young people looked for in a city.

### Homes Prices Running Well Ahead of Inflation



The Office of Federal Housing Enterprise Oversight (OFHEO) reports that while the housing market may be

weakening, prices are still going up at a rate much higher than inflation.

The OFHEO says home prices in the first quarter of 2006 were 12.54 percent higher than the same period a year ago and 2.03 percent above the previous quarter—meaning an annualized acceleration of more than eight percent. Prices of non-housing goods and services rose only 4.2 percent from the first quarter of 2005 to the first quarter of 2006.

### California Nears 500,000 Agents: One of 52 Adults



The California Department of Real Estate reports the state now has nearly 500,000 agents, approximately 1 for every 52 adults living there. That's a greater number of agents than the entire population of Wyoming. The department said it is expanding its eLicensing program, which allows sales associates to take the licensing exam online. It said more than 70,000 people had taken the exam online since March 1, 2005.

## MARKETS

### Most Metro Areas See Strong Price Increases With Swelling Inventories



NAR has released its metro home price report for the first quarter, which shows that 60 communities

are still experiencing double-digit price increases but 16 have seen actual price declines. The remaining cities in the 149 city report show fairly stable prices.

The national median existing single-family home price was \$217,900 in the first quarter, up from \$197,600 a year earlier.

The largest single-family home price increase was in the Phoenix-Mesa-Scottsdale area of Arizona, where the first quarter price of \$268,300 was 38.4 percent higher than a year ago. Decatur, Ill., reported the lowest single-family home price, \$52,000.

On the flip side, it's taking longer to sell a home. The number of existing homes listed online for sale in the largest 100 metro areas in the nation grew 60 percent from May 2005 to May 2006, according to an analysis conducted by Corzen, a real estate research firm based in New York City. The survey found that the inventory of homes listed in these metro areas grew from 1.3 million in May 2005 to 2.3 million in May 2006.

The company's monthly survey is based on a ZIP-code-by-ZIP-code analysis of homes listed on [Realtor.com](http://Realtor.com). The company gathers data on every home listed for sale, including the location, the asking price, the number of bedrooms and bathrooms, and the listing broker or agent for this monthly report.

Charles Thibault, the market analyst for Corzen who conducted the county-by-county analysis, reports that 75 percent of the counties in the company's sample showed no change or increases in prices, "suggesting that asking prices in overall market are not in a downward cycle yet," he stated.

### House Builders Going Green



Last year, 20 percent of home builders say they produced at least one "green," environmentally responsible home, according to a

survey by McGraw-Hill Construction and the National Association of Home Builders. The study also indicated that number would grow by another 30 percent this year.

"By 2010, the value of the residential green building marketplace is expected to boost its market share from \$7.4 billion and two percent of housing starts last year to \$19 billion-\$38 billion and five percent to 10 percent of residential construction activity," according to the study.

Reasons for building green range from "it's the right thing to do," to increasing energy efficiency, staying ahead of the competition and attracting green-seeking home buyers.

## LAW

### Illegals Vital to Home Building



Illegal immigrants so dominate the construction industry that without them, the price of a new home could rise as much as 40 percent and the time to build it could double or triple, according to a report in *Fortune* magazine.

The magazine notes that 30 to 40 percent of people who do the sawing and hammering are illegal immigrants, along with 29 percent of roofers and 28 percent of drywallers who also are undocumented.

### Dog Owners Face Loss of Homeowner Insurance



The *Wall Street Journal* is reporting that some homeowners who have specific kinds of dogs are losing their homeowner insurance because the animals supposedly pose an unusual risk.

The newspaper said Allstate and Farmers Insurance Group have begun dropping coverage in some states if homeowners have dogs listed on the "vicious breed" list.

Included on that list are: German Shepherds, Akitas, Siberian Huskies, Alaskan Malamutes, Chow Chows, Doberman Pinschers and American Pit Bull Terriers.

In response, the *Journal* said legislatures in Kentucky, Maine, Michigan, New Hampshire, New Jersey, New York, Tennessee, Vermont and Wisconsin have bills pending that would forbid discrimination against the dog owners.

### Group Says Lenders Discriminate



The nonprofit Center for Responsible Lending has issued a report stating that African-Americans and Latinos are being discriminated against by financial institutions, resulting in higher-cost mortgages that carry more risk of failure.

The CRL found that even when minorities had the same credit qualifications as whites, they still were directed to high-interest sub-prime mortgages far more often than whites.

Historically, lenders said African-Americans and Latinos are charged more because they tend to have blemished credit histories.

The Center found, however, that even when controlling for differences such as credit scores and the amount of the down payment, African-Americans and Latinos still wind up with a disproportionate share of expensive loans.

## THE INTERNET

### Seniors Warm to the Internet



A new study by the Senior Advantage Real Estate Council shows that nearly half of all seniors use the Internet as part of their home-selling process, and that most senior home sellers relocate less than 100 miles away from their primary residence.

Of the seniors using the Internet, 61 percent they did so to help them

find a real estate agent, 92 percent used it to research comps and 20 percent were looking at specific neighborhoods. The survey also found that 82 percent of relocating seniors stayed within their home state, and 72 percent moved less than 100 miles from their primary residence.

### Internet Buyers Younger, Smarter, Richer



Home buyers who use the Internet are richer and better educated than non-Internet traditional home buyers, according to a study by the California Association of Realtors.

Internet buyers had an average annual income of \$184,900, compared with \$148,910 for traditional buyers. Seventy-three percent of Internet buyers had at least a four-year college degree and 11 percent completed post-graduate work. By comparison, 72 percent of traditional buyers held a college degree and five percent completed post-graduate work.

Internet buyers move fast. They spent 2.2 weeks looking for the home they ultimately purchased, compared with 7.1 weeks for traditional buyers. The median age of Internet buyers was 39 years compared with a median of 42 years for traditional buyers.

But Internet buyers wait before contacting an agent. They spent an average of 5.8 weeks considering buying a home before contacting an agent, nearly three times longer than traditional buyers, who spent two weeks thinking about buying before contacting an agent.

### Homestore Becomes Move



Homestore, which operates a number of real estate-related Web sites, including [Realtor.com](http://Realtor.com), has officially adopted the name Move and relaunched its umbrella

Web portal as [Move.com](http://Move.com).

Move CEO Mike Long said, "Visitors to [Move.com](http://Move.com) have access to the largest selection of real estate listings ever assembled as well as valuable information about planning a move, finding a neighborhood and connecting with local professionals."

## AGENTS' CORNER

### Repeat Business, Referrals, Still Best Way to Boost Income



A survey suggests that despite the gains made by technology, repeat business and referrals remain the primary tools for agents to improve income.

In the Realtor technology survey, participants were asked to rank the most important business-generating tools, with four being the highest and one being the lowest. The results were:

- ★ Referrals earned an overall average score of 3.5.
- ★ Repeat business earned a 3.5.
- ★ The Internet scored 3.0.
- ★ Personal advertising, 2.6.
- ★ Community involvement, 2.5.
- ★ Direct mail, 2.1.

- ★ Floor time, 2.0.
- ★ Open house, 1.9.
- ★ Telemarketing, 1.5.

### Knowing the Story of a Home Can Make the Sale



A home is easier to sell if there's a story to tell—whether it's about rock stars or 19th-century architects, or even the seller's happy life, according to an article in New York's *Daily News*.

"It helps some buyers make an emotional connection to a property," said Sandy Mattingly, an associate broker at Coldwell Banker Hunt Kennedy. "You want them to imagine it as a home—then as their home."

The best story about a property is often about its history. Peggy Aguayo keeps a research report in her brokerage office that gives a house-by-

house account of the buildings in her city's historic district.

Stories about history can be spicy sometimes—like the one about a Brooklyn mansion. Prospective buyers were intrigued by the tale of the robber baron who built the house for his mistress. It has a sealed-up secret passageway on a stair landing, which he used to come and go—from the house next door, where his daughter lived.

Sometimes, the best story is about the seller's happy times in the home—if it's likely the would-be buyer wants to live a similar life.

When Coldwell Banker broker Mattingly markets a flat in which children grew up, he tells the story of where they played and went to school to home-shoppers who arrive with toddlers in tow.

"You create a parallel between the seller's experiences and the buyer's hopes and dreams," Mattingly explained. "You show a movie of what their life could be."



SMART'S PUBLISHING

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