

November 2011

Today's market once-in-lifetime opportunity

WASHINGTON – Nov. 30, 2011 – The monthly cost of owning a home is more affordable now than in the past 15 years, and is less expensive than renting in numerous cities, according to The Wall Street Journal's third-quarter survey.

Low home prices mixed with low mortgage rates – hovering at 4 percent or lower – create an appealing buyer's market, analysts say. For example, buyers today have a 77 percent increase in their borrowing power compared to 1991, according to Dan Green, a loan officer with Waterstone Mortgage in Cincinnati. He says that in 1991 a \$1,700 mortgage payment allowed a borrower to take out a \$200,000 mortgage; today, at current interest rates, the homebuyer can get a \$350,000 loan for that same monthly mortgage payment.

In 12 out of 28 cities tracked by The Wall Street Journal, monthly mortgage payments on a median-priced home – including taxes and insurance – were lower than the average rent levels.

In Atlanta, owning was the most favorable compared to renting. The monthly rent on a median-priced home there was \$539 during the third quarter (with a 20 percent downpayment) compared to the average asking rent, which averaged \$840, according to data provided by Marcus & Millichap.

Nationwide, apartment rents are expected to rise by about 4 percent this year, which may make the owning vs. renting picture tilt even higher, according to some analysts.

Despite the appealing housing picture for homebuyers, some continue to stay on the sidelines, unable to sell their current home, qualify for a mortgage due to the tighter credit requirements or keep a steady job, housing experts say.

Source: "Stronger Lure for Prospective Home Buyers," The Wall Street Journal (Nov. 26, 2011)

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UF: Fla.'s consumer confidence unchanged

GAINESVILLE, Fla. – Nov. 30, 2011 – The consumer confidence index among Floridians remained at 65 in November, a ranking that matches a revised mark set in October and is six points higher than the record low of 59 set in June 2008.

The index used by University of Florida researchers is benchmarked to 1966, which means a value of 100 represents the same level of confidence for that year. The lowest index possible is a 2; the highest is 150.

The November survey reveals a mixture of positive and negative perceptions.

"Consumers are slightly less optimistic about current conditions than they were last month and slightly more optimistic about long-run conditions," says Chris McCarty, director of UF's Survey Research Center in the Bureau of Economic and Business Research, which conducted the survey.

McCarty noted that of the five categories used to measure consumer confidence, two decreased, two increased and one remained unchanged. A measurement of respondents' attitudes about current finances compared to one year earlier, for example, fell two points to 52. However, expectations that personal finances will improve a year from now went up three points to 79.

Respondents' overall view that the U.S. economy will improve over the coming year fell two points to 52, but their expectation that the economy will improve over the next five years remained unchanged at 67.

Finally, the perception that now is a good time to buy big-ticket consumer items, such as televisions and laptop computers, rose four points to 75.

If consumer confidence attitudes are mixed, so, too, are reports of economic activity. The jobless rate for Florida, for example, remains high at 10.3 percent, though there was an encouraging three-tenths of a percent decline in unemployment from September to October. Some of the new hiring occurred in the health and education sectors. An uptick in Florida tourism also spurred job creation in the leisure and hospitality sectors.

Meanwhile, Florida's consumer confidence continues to be shaken by a slump in housing activity. The median price for a single-family home at \$131,550 is down from both September and October of last year.

The gloomy housing outlook is accompanied by modest good news on gasoline prices, which command a larger share of lower income consumers' spending. They dropped 7 cents in November from the previous month to \$3.35 for a gallon of regular gas.

McCarty anticipates mixed prospects in the future. "The Gross Domestic Product (the nation's annual product and an indicator of economic health), though revised downward for the third quarter, was still positive at 2 percent nationally," he says. "Florida's gross state product is forecast to be low, but positive."

Although the U.S. and Florida may avoid experiencing the effects of negative GDP, most economic indicators "suggest sluggish growth for the next few quarters," McCarty says. In addition, worsening economic problems in Europe may drag the U.S. into a lower GDP.

Even though retail sales were down in October and consumer confidence levels are low, McCarthy predicts modest growth this holiday season compared with 2010.

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3 red flags when applying for a mortgage

NEW YORK – Nov. 28, 2011 – The financial crisis fallout created a fear of borrowers who might default or walk away from their mortgage – or perhaps even commit mortgage fraud. As a result, more lenders are scrutinizing mortgage applications.

Here are the triggers that may cause the most lender scrutiny of loan applications, according to a recent article at The New York Times:

Large deposits of money: Lenders are required to account for any cash gifts for downpayments, such as from relatives. So if a borrower earns \$5,000 a month and suddenly deposits an extra \$10,000 beyond that, lenders may question where the money came from when applying for a loan.

The home's new address: Buyers who are purchasing a primary home three hours from where they work may also draw increased scrutiny from lenders. Borrowers may even need a letter from their employer stating that they work from home a few times a week. That's because lenders may want to be sure a borrower plans to be an owner-occupant and not planning to rent or flip the property.

Signing up for new credit cards: Borrowers should avoid taking on extra debt when applying for a loan and may want to wait to buy all the new furniture. Extra debt can be a red flag to a lender and even

jeopardize closing if the debt pushes the borrower's total debt level beyond lender-accepted limits.

Source: "Mortgages: Triggers of Lender Scrutiny," The New York Times (Nov. 3, 2011)

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Home market sees a sliver of good news

WASHINGTON – Nov. 18, 2011 – The share of borrowers falling behind on home loans dropped in the third quarter, and building permits for single-family homes climbed in October to their highest level in 10 months, new data show.

The reports bring "some of the most solid, relatively good news" that the housing sector has seen in some time, said Jed Kolko, chief economist for real estate website Trulia.

The Mortgage Bankers Association said Thursday that the share of mortgage borrowers who have missed at least one payment – but are not yet in foreclosure – fell to 8 percent in the third quarter from 8.4 percent in the second quarter.

The share of borrowers more than 30 days behind but less than 60 days late fell the most, to a four-year low of 3.2 percent from 3.5 percent in the second quarter.

That drop suggests that fewer borrowers are falling behind for the first time, which will reduce foreclosures years from now.

Still, 4.2 million borrowers are more than 90 days behind on their mortgages or are already in foreclosure. Most of those borrowers will lose their homes to foreclosure or other distressed sales in the coming years.

That will continue to put pressure on home prices, said Paul Dales, economist at Capital Economics. He expects U.S. home prices, down about 4 percent from last year, to stay flat next year.

"We're moving in the right direction, but we're still well above normal" for troubled loans, said Michael Fratantoni, MBA's vice president of research and economics.

He says the number of new delinquencies should continue to decline if job growth continues.

Home building is also well below normal, even with the stronger October showing.

Housing starts slipped slightly in October from September to an annual rate of 628,000, the Commerce Department said Thursday. That's about half the pace of long-term trends leading up to the housing bubble.

Single-family starts were up 3.9 percent from September. Permits, which are a better indicator of future activity, rose 5.1 percent for single-family homes and 24 percent for multifamily units, the Commerce Department said.

The October results point to a single-family market that's "finally getting off the mat" and a multifamily segment that's making "small strides," said Patrick Newport, economist at IHS Global Insight. Still, single-family home starts and permits are likely to set record lows this year, Newport says.

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Out-of-state retirement slows down

WASHINGTON – Nov. 17, 2011 – Aging Baby Boomers who dreamed of retiring in the sun near Florida beaches or Arizona deserts have hit a speed bump: the bad economy.

The number of Americans ages 55 to 64 who moved to Sun Belt states since the economy began to tank has declined dramatically, according to a USA TODAY analysis of Census data released Tuesday.

The slowdown is part of a continued drop in the mobility of all Americans. Only 11.6 percent – 35 million – changed residence from 2010 to 2011, the lowest rate since the Census Bureau began collecting the statistics in 1948. In the mid-1980s, more than 20 percent were moving each year.

Two primary reasons for historic lows in all types of moves – within the same county, to other counties and other states: “The recession and mortgage meltdown,” says William Frey, Brookings Institution demographer.

The oldest of 77 million Boomers who had fueled a rush to “active adult” communities in the Sun Belt are staying put because they can’t sell their homes or can’t afford to retire. “There’s economic uncertainty in all areas,” says Deborah Meyer, chief marketing officer for PulteGroup, the largest developer of 55-plus communities such as Del Webb and Sun City. “Even though desire is as high as ever, they’re delaying. The volume isn’t what it was.”

The dismal job market also has kept young people, typically the most mobile of all age groups, in place. “College graduates are stuck in the mud,” Frey says. “Young people are putting their lives on hold.”

The Census data also show:

- More people move for housing reasons than family or jobs. The Census identified moves related to foreclosures or evictions: 1.2 percent in 2011.
- For the first time since the turn of the last century, more than half of California residents are natives. “It looks a lot more like California in 1900,” Frey says.

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Two real estate reports suggest Fla. rebound

CHICAGO – Nov. 17, 2011 – Two national studies – one from Realtor.com and one from Trulia – suggest that some Florida markets are poised for a real estate rebound.

“This is a positive trend for Florida,” says John Tuccillo, Florida Realtors chief economist. “While Trulia and Realtor.com aren’t completely accurate in home prices and sales – mainly because they base their numbers on only homes listed on their website – it’s useful to look at visitor behavior and note the trends. If Trulia says more visitors are doing a home search in the Miami market, for example, it probably follows that Miami is experiencing an upswing in demand.”

Realtor.com’s Top Ten Turnaround Report

In Realtor.com’s “Top Ten Turnaround Report,” six Florida cities were considered good bets for an upswing in sales. Realtor.com, which is owned by The National Association of Realtors®, says it created a formula to rank a city’s turnaround potential based on recent price appreciation, changes in inventory, median age of inventory, number of Realtor.com searches by visitors and area unemployment.

Realtor.com attributes the Florida cities’ success to year-over-year home price increases, reductions in

inventory, lower unemployment rates and, in some cases, an upswing in international buyers.

Realtor.com's turnaround list includes:

1. Miami: Ranked No. 1 in the report, Miami hit the top based on "a healthy inventory that is only half the size from a year ago," a lower foreclosure rate than the national average, and an increase in condo sales.
2. Orlando: While No. 2, Realtor.com says Orlando had more home searches than any other city when compared to the total number of listings. It also had a significant drop in the number of foreclosures.
3. Fort Myers-Cape Coral: Median prices in Fort Myers-Cape Coral have increased year-over-year, foreclosures are down, inventory is lower and foreign buyers are attracted to the area's real estate prices.
4. Phoenix-Mesa, Ariz.
5. Fort Lauderdale: Inventory has decreased and prices have increased, says Realtor.com.
6. Sarasota-Bradenton: About one in 10 foreign buyers look in Sarasota-Bradenton for a home, Realtor.com says. Listing prices have increased and inventory has decreased.
7. Lakeland-Winter Haven: According to Realtor.com, the number of distressed sales has decreased significantly and prices have gone up.
8. Boise City, Idaho
9. Fort Wayne, Ind.
10. Ann Arbor, Mich.

Trulia's Metro Movers Report

Trulia has debuted a new report that analyzed its home searches.

In one study, Trulia looked at the number of people who searched for housing in a city – including renters – and compared it to the number of city residents looking elsewhere for a home. An area with a high number of inbound searches and a low number of outbound searches, Trulia reasons, suggests an increased demand for housing.

According to the study, the North Port-Bradenton-Sarasota area had six times more searches by inbound people than outbound people, landing it in the list's No. 1 position, but four other Florida cities also made the top 10 list:

1. North Port-Bradenton-Sarasota
2. Riverside-San Bernardino-Ontario, CA
3. Charleston-North Charleston-Summerville, SC
4. Fort Lauderdale-Pompano Beach-Deerfield Beach
5. Cape Coral-Fort Myers
6. West Palm Beach-Boca Raton-Boynton Beach
7. Fort Worth-Arlington, TX
8. Oxnard-Thousand Oaks-Ventura, CA
9. Las Vegas-Paradise, NV
10. Orlando-Kissimmee-Sanford

Trulia also looked at the Chicago and New York City markets to see where residents wanted to move. Three Florida cities ranked in the top 10 for Chicago residents: Tampa-St. Petersburg-Clearwater (No. 4), Cape Coral-Fort Myers (No. 6) and Orlando-Kissimmee-Sanford (No. 10).

In New York City, five Florida cities made the list: Miami-Miami-Beach-Kendall (No. 2), Orlando-Kissimmee-Sanford (No. 3), West Palm Beach-Boca Raton-Boynton Beach (No. 5), Fort Lauderdale-Pompano Beach-Deerfield Beach (No. 6) and Tampa-St. Petersburg-Clearwater (No. 7).

Fla. TaxWatch issues hurricane cost study

TALLAHASSEE, Fla. – Nov. 11, 2011 – Most Florida politicians, Citizens Insurance policyholders and state residents understand that property insurance is expensive, and that the state's insurer of last resort does not generate enough income to pay damages in the event of a major hurricane that hits a highly populated area.

A recent study by Florida TaxWatch attempts to clarify that cost.

In the event of a major hurricane – one slated to occur once every hundred years – TaxWatch says that "\$18 billion dollars would have to be borrowed in the open market (if possible) to pay the claims, ... (and) nearly all of Florida's policyholders would be assessed for decades to repay the debt."

TaxWatch says that Citizen's policyholders would take a major hit following a big storm: The average homeowner assessment would be \$9,400, with \$1,200 due the first year and the rest paid off over 30 years. Businesses and condo associations would also pay. If current premiums run \$150,000 to Citizens and \$50,000 in other premiums, a post-hurricane assessment could be nearly \$600,000, with \$80,000 of that due in the first year.

While study authors say their primary goal was to explain the problem simply, it concludes with seven recommendations for fixing the problem:

1. Educate taxpayers and policyholders. "We must learn that, at the root, we do not have an insurance problem; we have a hurricane problem," the study says.
2. Return Citizens to an insurer of last resort.
3. Fund and/or shrink the CAT Fund. Florida's CAT Fund is a backup insurer for insurers. However, it doesn't make enough money. TaxWatch first advises a tax increase to boost the CAT Fund; if that's unworkable, it recommends shrinking the fund.
4. Make Florida more insurer-friendly. TaxWatch suggests that the state stop regulating rates and allow them to "float to their natural, market-driven level as quickly as is politically possible."
5. Require private insurers to be adequately capitalized. This step minimizes the risk of company failure following a major storm.
6. Strengthen building codes – and enforce them.
7. National reinsurance backstop? TaxWatch likes the idea of a national disaster insurance policy, but notes that "Florida has more catastrophe exposure than all of the other (eastern) coastal states ... combined. If we can get the rest of the states to pick up our tab, I am all for it. But in this economy, that appears doubtful."

The full report can be downloaded on the Florida TaxWatch website.

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Wells Fargo: Government aid won't help housing market

FORT LAUDERDALE, Fla. – Nov. 4, 2011 – The Obama administration's plan to help more homeowners refinance underwater mortgages may be a big deal in South Florida, but the lifeline won't have a significant effect on the nation's housing market, Wells Fargo Securities predicts.

Nearly half of homeowners with mortgages in Broward and Palm Beach counties are underwater, according to research firm CoreLogic. They're hoping an expansion of the Home Affordable Refinance Program will help them refinance at current interest rates and get them out from under burdensome mortgages.

But it isn't government intervention that will solve the housing mess, but rather a gradual clearing of the "mountain of foreclosures," according to an October housing report from Wells Fargo.

The HARP restructuring still involves strict criteria for which homeowners must qualify, a frequent complaint since HARP began two years ago, said Anika R. Kahn, an economist for the bank. And the expanded program still doesn't do anything to promote home sales.

"The best medicine for the market is time," she said.

Speaking of time, if your home was in foreclosure in 2009 or 2010, you have until April 30 to request an independent review of the process.

Homeowners who were found to be hurt financially by lender errors or other problems may be entitled to cash, according to the Office of the Comptroller of the Currency, which announced the review program this week.

The program is part of a deal struck between banking regulators and lenders as the two sides discuss a settlement of the "robo-signer" controversy last fall.

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Census: More young adults are living in their parents' home

WASHINGTON – Nov. 3, 2011 – Between 2005 and 2011, the proportion of young adults living in their parents' home increased, according to the U.S. Census Bureau. The percentage of men age 25 to 34 living in the home of their parents rose from 14 percent in 2005 to 19 percent in 2011 and from 8 percent to 10 percent over the period for women.

These statistics come from [*America's Families and Living Arrangements: 2011*](#), a series of tables from the 2011 Current Population Survey, which provides a look at the socioeconomic characteristics of families and households at the national level.

"The increase in 25- to 34-year-olds living in their parents' home began before the recent recession, and has continued beyond it," said the author, Rose Kreider, a family demographer with the Fertility and Family Statistics Branch.

Similarly, 59 percent of men age 18 to 24 and 50 percent of women that age resided in their parents' home in 2011, up from 53 percent and 46 percent, respectively, in 2005. It should be noted that college students living in a dormitory are counted in their parents' home, so they are included in these percentages.

Other highlights:

In general, the percent of all households that contain just one person has increased over the last half of the 20th century and into the 21st century. The percentage of such households rose from 13 percent in 1960 to 28 percent in 2011. While the percentage may not differ significantly from one year to the next, the overall trend has been an upward one. The percentage did decline, however, from 2008 to 2010.

Of the 74.6 million children younger than 18 in 2011, most (69 percent) lived with two parents, while another 27 percent lived with one parent and 4 percent with no parents. Of those children who lived with two parents, 92 percent lived with two biological or two adoptive parents.

Among the children who lived with one parent, 87 percent lived with their mother.

Of the children living with no parents present, 57 percent lived with at least one grandparent.

In 2011, 10 percent of children under 18 lived with at least one grandparent. Seventy-eight percent of these children also lived with at least one parent.

Of the 67.8 million opposite sex couples who lived together, 89 percent were married couples, while the remaining 11 percent were unmarried.

In 2011, there were about 7.6 million unmarried couples living together.

In 2011, married couples with children made up 20 percent of all households, half what they were in 1970 (40 percent).

In 2011, 23 percent of married couple family groups with children younger than age 15 had a stay-at-home mother. This proportion decreased in the last few years during the recession. In 2007 — before the recession began — the corresponding figure was 24 percent.

The Annual Social and Economic Supplement to the Current Population Survey was conducted in February, March and April of 2011 for a nationwide sample of about 100,000 addresses.

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12 most-searched U.S. housing markets

CHICAGO – Nov. 1, 2011 – Which cities are homebuyers targeting most? Realtor.com recently released its search rankings of 146 metros during the month of September. The following are the 12 most-searched markets followed by their median list prices.

1. Chicago: \$199,000
2. Detroit: \$89,000
3. Los Angeles-Long Beach, Calif.: \$335,000
4. Philadelphia: \$234,900
5. Atlanta: \$159,900
6. Tampa-St. Petersburg-Clearwater, Fla.: \$140,000
7. Phoenix-Mesa, Ariz.: \$150,000
8. Las Vegas: \$120,000
9. Dallas: \$191,025
10. Boston-Worcester-Lawrence-Lowell-Brockton, Mass.: \$330,000
11. Riverside-San Bernardino, Calif.: \$195,000
12. Orlando: \$159,500

Source: Realtor.com

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Migration patterns shift as more Americans stay put

WASHINGTON – Nov. 1, 2011 – Americans are no longer flocking south to Sun Belt states in large numbers as they did prior to the recession, a new study finds. The typical migration pattern from the cold, snowy north to the sunny south has slowed dramatically, according to a new study by the Carsey Institute at the University of New Hampshire.

Researchers evaluated three years' worth of data to reveal migration patterns since the financial crisis. They found that more Americans are staying put, unable or not wanting to move due to a bleak employment picture and sagging housing market.

Former migration hot-spot states like Arizona, Nevada and Florida added fewer residents since the start of the recession, and that influx continued to shrink in 2010. Most analysts expect the decline to start leveling off.

Meanwhile, states like Massachusetts, New York and California, which had seen their populations decrease in favor of Sun Belt states the last few years, are now seeing far fewer declines.

"When times get really hard, it gets really hard for people to up and move," says Kenneth M. Johnson, the senior demographer at the Carsey Institute. "People who might have left New York for North Carolina are staying put. But that is a very recent change, so that places that had been growing rapidly suddenly aren't, and the outflow has really slowed down."

For example, Florida had a net migration gain of 209,000 in 2005, but a loss of 30,000 in 2009, according to the study. On the other hand, New York had a net loss of 71,000 migrants in 2009 — a drastic shift from the 170,000 migrants it lost in 2005. Likewise, California saw its loss of migrants shrink to 71,000 in 2009 from 201,000 in 2005.

Source: "Economy Alters How Americans Are Moving," The New York Times (Oct. 27, 2011)

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Negotiating real estate deals in a shifting market

MALIBU, Calif. – Oct. 31, 2011 – Realtors find that the current market requires them to work harder to prevent deals from collapsing during initial negotiations or the escrow process.

These days, agent must often negotiate the terms of the purchase agreement twice – once when the buyer's agent presents the offer to the seller's agent, and again after the home inspection.

Negotiations are more tense and emotional these days, with buyers taking longer to make sure they're getting a good deal, and sellers expressing frustration about low prices.

The National Association of Realtors reports that one out of six agents had signed contracts canceled in June, and cancellations rose 10 percent during the year-over-year period ended in August.

Experts say there is a lot of uncertainty surrounding the lending process, especially with more sellers owing more than their home is worth and lenders requiring them to make up any difference at settlement. They also recommend that buyers work with mortgage brokers instead of lenders.

Realtors can move transactions forward by educating buyers and sellers about changing market conditions and understanding their clients' needs, motivations, fears and aspirations. They must emphasize flexibility and creativity, laying out alternatives to help clients meet their goals; and they must remain sensitive to the fears of buyers and sellers.

Source: MalibuPatch (10/14/2011) Taki, Beverly

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Survey: 5 homebuying myths

SEATTLE – Oct. 31, 2011 – Overall, today's homebuyers tend to be fairly knowledgeable about the real estate market, but there are still a few points of confusion in the process, especially for buyers just entering the market. Here are the five main areas of confusion found in a survey by Zillow:

- **Appreciation:** About 42 percent of homebuyers believe home values will appreciate by 7 percent a year. Reality: Historically, home values in a normal market appreciate by 2 to 5 percent in a year.
- **Appraisals:** 56 percent of the buyers said the purpose of the appraisal was to determine if a home was in good condition. Reality: That's the purpose of a home inspection; an appraisal estimates fair market value.
- **Homeowner's insurance:** 37 percent of homebuyers think that buying homeowner's insurance is optional. Reality: Lenders require homebuyers to purchase homeowner's insurance if they carry a mortgage.
- **Ownership:** 47 percent of homebuyers said a prospective buyer owns a home after the purchase contract is signed by the seller – when the two parties reach agreement. Reality: The purchase and sales agreement is the beginning of the closing phase, but it can be a long process until they finally take ownership.
- **Mortgage insurance:** 41 percent of buyers think they must purchase private mortgage insurance, regardless of the amount of their downpayment. Reality: Buyers only need to purchase PMI if their downpayment is less than 20 percent of the home's purchase price.

Source: Zillow Inc.

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