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VOL. 30, NO. 3



MARCH 2004

REAL ESTATE DIGEST

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

Bold New Home Designs Cater to Shifting Politics, Zoning and Buyer Demographics

Attention, real estate agents and home builders: 2004 will be the year in which new-home buyers jump the generation gap from Baby Boomers to Generation X, according to Steve Bottfeld, executive vice president of Las Vegas-based consumer research firm Marketing Solutions. And that shift, along with a number of other influences, will change the look of the home as we know it.

“The evidence we have is that we’re going to continue to see growth of Gen X buyers in the new-home business, and that will begin to impact what types of homes are being built,” he said.

Gen X buyers will be looking for a number of housing features, including massive entertainment centers, increased connectivity and

enclosed courtyards in the front of the house rather than traditional backyards. He also identified the emergence of “great rooms,” which are taking the place of traditional living rooms, as a Gen X preference.

Adios living room?

Bottfeld said the traditional living room is a home builder’s “dodo bird” that’s becoming smaller in size and nearly extinct in some new-home markets. The emerging great room is one large room that enables homeowners to set up the space however they choose.

As living rooms shrink, kitchens are becoming large. Bottfeld predicted island kitchens will continue to increase along with the population of female designers.

“Kitchens and master bedrooms are what sell the house,” he said. “And trust me, women are the home buyers.”

Density up

Another home-building trend is higher-density developments. The urban village concept will become more popular as builders face stricter land-use controls and urban cores simply run out of space.

Bottfeld pointed to Summerlin, a master-planned community just outside Las Vegas, as an example of the mixed-use urban village concept. Summerlin encompasses 22,500 acres of land and houses about 30,000 residents. The community boasts mixed-income housing, large areas preserved for open space, environmental protection measures such as new habitats created for bird life, and public transit access points. The master-planned community has about 16,000 jobs.

A trend known as “green building” also has started catching

on with builders. The phrase describes building techniques that are environmentally friendly. Examples include incorporating solar power into a home, water-saving technology and energy-saving appliances.

Not all builders are convinced that green building has caught on with buyers. Randy Lee, a builder and developer in New York, said, "It would be the rare person who would pay \$10,000 more for a house because it is 'green.'"

ECONOMY

Bankers Forecast Steady Growth



The Mortgage Bankers Association recently released its long-term economic forecast for 2004, 2005 and 2006, and the numbers are rosy. The organization projects strong economic growth through 2006 and gross domestic product growth rates exceeding four percent each year — all excellent news for the residential real estate market.

"The year 2004 looks to be an exceptionally strong year, building on the gains of the last part of 2003, with the result of continued strength in employment and the housing market. We see the job market getting even stronger, even with — and in some cases due to — the record gains in productivity, resulting in a positive impact on home purchases and mortgage originations," said Doug Duncan, MBA chief economist and senior vice president, research and business development.

The MBA forecasts real GDP growth will average 4.7 percent during 2004 and 4.1 percent in 2005 and 2006. The unemployment rate will decline from the current level of about 5.7 percent to 5.2 percent by the middle of 2006.

MBA expects the 10-year Treasury rate will rise to an average

of 4.5 percent by the fourth quarter of 2004, reach 5.3 percent during the fourth quarter of 2005, and average 5.4 percent during 2006. Mortgage rates will follow a similar pattern, although the spread between mortgage and Treasury rates is expected to tighten.

Existing-home sales will come off record levels and fall by 5.1 percent in 2004 and fall by 3.6 percent in 2005 and be essentially unchanged in 2006. Sales will remain at very high levels by historical standards.

New-home sales will fall by 7.2 percent in 2004 and fall by 3.3 percent in 2005, but remain unchanged in 2006. In addition, home-price growth is expected to be modest, with existing-home prices increasing 5.5 percent during 2004 and new-home prices increasing 3.7 percent. Price increases in 2005 and 2006 are expected to be in the 4 percent range, according to the forecast.

"Despite this level of economic growth, we see interest rates increasing only moderately due to continued expectations of low inflation. Long-term rates should increase from current levels by 40 to 50 basis points by the end of 2004, and another 70 to 80 basis points during 2005. Coming off our recent lows, these are very modest interest rate increases for the level of economic growth we are expecting," Duncan said.

MARKETS

NAR Eyes Key Cities For Greater Ownership



The National Association of Realtors and the U.S. Conference of Mayors have agreed to develop a program to expand housing opportunities and home ownership rates in a handful of cities per year.

The two organizations launched their first joint program in

Memphis in January. It includes an educational campaign for real estate professionals to raise awareness about the array of home ownership assistance that is available to low- and moderate-income families, and will also fund research to ensure that the assistance meets the needs of local homebuyers and borrowers.

A joint statement from NAR and the Conference said programs would be developed in four or five cities this year and more in the years ahead.

Atlanta: Top City For Corporate Moves



Atlanta has been named as the city that companies believe will recover quickest from the downturn in the economy, according to *Expansion Management* magazine, which watches business growth and relocation nationwide.

In the survey of 70 of the industry's "most prominent site selection consultants," the magazine said Atlanta could expect to see net job growth of more than 45,000 workers this year as more companies open new operations in the city.

Following Atlanta on the list were:

- 2 Nashville, Tenn.
- 3 Jacksonville, Fla.
- 4 Kansas City, Mo.-Kan.
- 5 Memphis, Tenn.-Ark.-Miss.
- 6 Colorado Springs, Colo.
- 7 Phoenix-Mesa, Ariz.
- 8 San Antonio, Texas
- 9 Oklahoma City, Okla.
- 10 Chicago, Ill.

For the article and list, see: www.expansionmanagement.com

New Military Housing Benefits



If you have clients active in the military, you can deliver the good news: they qualify for a num-

ber of financial breaks, according to the US Federal Office of Thrift Supervision.

The Service Members Civil Relief Act (SCRA) was signed into law Dec. 19, 2003, replacing the Soldiers and Sailors Civil Relief Act of 1940 (SSCRA).

Among others things, the Act:

- ✱ Retains the six percent cap on interest rates for obligations incurred by a service member before entering the service and explicitly states that any amount of interest above six percent is forgiven, not just deferred.

- ✱ Extends eviction protections to cover units renting for \$2,400 or less (double the current limit). The cap is adjusted for inflation.

- ✱ Allows service members to terminate residential leases (now including those executed after entering military service) and, for the first time, motor vehicle leases. For a residential lease, the service member may terminate a lease executed before entering military service or afterward, if the member receives a permanent duty change order or is deployed for at least 90 days.

For more information, see: <http://thomas.loc.gov> and type in "HR 100."

INSURANCE

Trend: Many Homes Are Underinsured

DANGER
WATCH
YOUR
STEP

The Insurance Information Institute says with the run up in home values in the past few years, as many as two-thirds of U.S. homes may now be underinsured.

According to the III, about 64 percent of U.S. homes were underinsured by an average of 27 percent in 2003. Adding to the high cost of replacement, it said, were home improvements that have surpassed record levels in recent years.

TRENDS

Lofts Are Hot Property



Lofts aren't just for starving artists or savvy Wall Street businessmen living in

SoHo anymore. In fact, many builders are shifting their designs in the loft-style direction because they believe the emergence of the Gen X buyer is where the new-home market is heading.

What makes a loft a loft depends somewhat on the buyer's point of view. A traditional loft usually consists of a large space in an old warehouse with an open floorplan and exposed brick and ducts. But newer lofts come in all shapes and sizes like the single-family home on display at the Builders Show.

Unlike the first lofts that attracted artists who had little income, newer lofts and loft-style homes come at a higher price. Newly built multi-level lofts in San Francisco start around \$600,000 and the 5,180-square-foot loft-style home in Las Vegas costs around \$1.8 million.

The Gen X buyer is one reason lofts are gaining popularity. But the loft influence on single-family home designs may just be the result of changing lifestyles. An open floorplan like the great room enables families to change the space as often as needed. Fixed walls are limiting and more difficult to change.

AGENTS' CORNER

Google Your Way to Maximum Exposure



Do you know how to Google? Here are four rarely used ways check out your competitors or enrich your own personal searches on the Web's most powerful search

engine.

1. Got competitors? Reveal their identities by clicking the "GoogleScout" button from your own Web site. Google will display links to your listed competitors' Web pages through this feature. The button can be downloaded from Google tools at Google.com.

2. Search for file types. If you're looking for a PDF file with "housing" in the title, type "Housing filetype:pdf" in the Google search bar. You can use the same function to find Excel spreadsheets ("filename:xls") and other file types.

3. Search by location. Type your search terms in the first box and specify the location or ZIP code in the second box. This function could be a great tool for home shoppers.

4. Find pictures of yourself and other local Realtors online by using Google's "Images" tab. Type "Your town+Realtor" and see whether your mug appears.

Got Ethics?



The National Association of Realtors is reminding members they have until the end of the year to complete training in the Code of Ethics. The course runs two and a half hours and is considered a major element in risk reduction.

"The goal of the training is to ensure that new members are familiar with, and experienced members get a refresher course in, the Code of Ethics and its established principles," said NAR President Walt McDonald. "It also lets home buyers and sellers know they can rely on real estate professionals who are educated in and abide by a strict code of ethics."

For more information, see: www.realtor.org/COEtraining.

MORTGAGES

HUD Introduces Zero Down Loans



Federal Housing Commissioner John C. Weicher announced recently that the

Department of Housing and Urban Development is proposing to offer a "zero down payment" mortgage in the hopes it will increase American home ownership.

Weicher said that the proposal, part of HUD's Fiscal Year 2005 budget request, would eliminate the statutory requirement of a minimum 3 percent down payment for FHA-insured single-family mortgages for first-time home buyers.

For those that choose to participate in the Zero Down Payment program, HUD would charge a modestly higher insurance premium, which would be phased down over several years, and would also require families to undergo pre-purchase housing counseling.

Preliminary projections indicate that the new FHA mortgage product would generate about 150,000 homebuyers in the first year alone.

Another e-Title Firm Bites The Dust



Frisco, Texas-based BridgeSpan Inc. has shut down operations of its BridgeSpan title companies in Texas and Southern California.

"BridgeSpan Title Co. ceased all operations. All escrow orders are now in the possession of the appropriate underwriters. Borrowers should contact lenders directly for assistance....," a message on the company's telephone answering system stated.

Online transaction management, title and closing systems have been notoriously difficult business models to execute with success. A number of other early entrants have long since ceased operations or been acquired by larger companies.

BridgeSpan, which also provides mortgage processing technology, introduced its online title and

closing operations in 2001, two years after the company was founded.

BridgeSpan was founded in 1999 as EZClose.com, an online title and closing service for residential real estate transactions. The Texas title company conducted business in 42 states.



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