

# The Real Estate Update

Brought to you by Mount Vernon Mortgage Corporation

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## What Do We See in the Shadows?

The economy is on the road to financial recovery. It will be a long and hard road, but we are on our way. There are many obstacles that could cause us to break down on this road. None is more important than the concept of "shadow inventory." What is that? These are homes which the banks are not foreclosing upon because they are trying to work out solutions with present homeowners or frankly they don't want to flood the markets all at once and depress prices. How many homes are casting a shadow over the markets? Projections vary, but suffice to say that there are several million homes that will be foreclosed upon in the next two years. That is a lot of homes. It is good news that increased investor demand cited by the John Burns Consulting Firm study discussed in the last section may help mitigate the overall effect upon pricing.



We keep saying this and it bears repeating. Real estate led us into recession and it must lead us into recovery. There are many factors that can help "soak" up shadow inventory. The weak dollar is increasing demand from foreign investors. The tax credit is bringing more first time buyers into the market and now move-up buyers as well. Low rates are keeping homes affordable, especially when compared to renting in many markets. Government efforts at modifications are also expected to keep many in their homes. Even builders are helping by bringing fewer homes to the market. Not one of these is by itself enough to absorb several million homes. But if we put all these factors together, it very well may happen. Keep in mind that all the while, the population of this Nation is rising. This means that sometime in the future there will be growth in the real estate market and our economy. In the meantime, we will navigate the long and winding road. □

### Job losses moderate



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## Investors around the World Arrive

Falling prices for real estate and the declining value of the dollar are luring investors from all over the world to purchase properties for as little as half what they might have paid four years ago.

"This could be a once-in-a-generation opportunity for real estate investment," says Arthur Wong, whose Calgary, Alberta-based U.S. Real Estate Fund has invested \$5 million in properties in the U.S. Southwest and plans to buy millions more. Buyers from countries like Brazil, Canada, France, and the Netherlands, whose currencies are particularly strong against the dollar, are spending millions on luxury condos in New York City, Las Vegas, and Miami.



Foreign buyers also find the warm climates of California, Texas, and Arizona attractive. Peter Zalewski, a principal with Miami-based Condo Vultures, says he has sold foreign condo buyers seven bulk deals in downtown Miami alone, with investors coming from Argentina, Canada, Colombia, Italy, Norway, and Venezuela.

It is obvious the investor demand cited by John Burns Consulting Firm in their study discussed in the next section will not be only coming from within the United States, but also from all over the world. Real estate is on sale right now. □

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## Did you know...?

- Nearly 5 million houses and condos, of which the loans are delinquent, will go through foreclosure over the next few years, a new study by John Burns Real Estate Consulting Inc. concludes. This represents more than half of the 7.7 million households now behind on their payments. The situation is gravest in Arizona, California, Florida, and Nevada. Burns calculates that there is an inventory equivalent to 27 months of sales in Orlando, 24 months in Miami, and 18 months in Las Vegas. Consulting firm CEO John Burns says there is strong investor demand for these properties, so as long as employment continues to recover and rates remain moderate, these sales won't have much impact on overall prices. □

Source: The Wall Street Journal



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## The Changing Face of America

Americans, it seems, still have a love affair with the West. Texas and Wyoming were the big winners in the Census Bureau's annual population estimates, which were released recently.

In the year ending July 1, Texas added more people than any other state, and Wyoming had the highest growth rate in the nation. The population of the United States has grown more than 9% to 307,006,550 since the 2000 census. The population grew 0.86% since last year's estimates. Just three states shrank during the year. Michigan's population fell by 0.33%, Maine dropped 0.11%, and Rhode Island lost 0.03%.

The report is a kind of sneak preview of the next big 10-year census, which will be released in December 2010. The 10-year census determines congressional representation and federal aid, among other things.

"The census counts will not only determine how many U.S. House seats each state will have but will also be used as the benchmark for future population estimates," said Census Bureau Director Robert Groves.

In Nevada, for example, the population has risen 32.27% since the 2000 Census, more than any other state in the past decade. Nevada currently has three seats in the House and will almost certainly pick up another as a result of its population growth. On the other hand, large states that are growing slowly such as Ohio (1.67%), Pennsylvania (2.64%), New York (2.98%) and Michigan (3.13%) could lose at least one seat each.

The future of the so-called Sand States, California, Arizona, Nevada and Florida, are still in question, though. The rapid rise of many of these states through the early part of the decade has been curtailed by the housing crisis. In Florida, which averaged about 2% a year in population growth from 2001 through 2005, residential numbers inched up only 0.62% during the 12 months ending July 1. In the previous 12 months, the state recorded only a 0.71% gain.

A similar dynamic played out in Nevada. Its average population increase was 3.6% per year in the five years through 2005, but it grew only 1% this time. And the growth was due to the birth rate, not people actually moving in. Both Nevada and Florida actually had more people leave the states than arrive. Many communities in these bubble states now have long lists of homes for sale.

Some of the once-booming cities in the Central Valley of California, such as Stockton, Modesto, Fresno, Merced, El Centro and Visalia, are now plagued by job losses. Seven out of the 10 metro areas with the highest unemployment rates are in California.

Other Sun Belt states have fared much better. Texas, for example, never went through the boom-and-bust housing cycle that devastated the Sand States. Home prices remained affordable, and the state's unemployment rate was 8% in October, a full two percentage points below the national average.

So, it's no surprise that Texas added more than 3.9 million residents during the 2000s. Its population also grew by the greatest number of people (478,000) during the 12 months ending July 1. California was second with 381,000 followed by North Carolina with 134,000.

Wyoming boasted the fastest growth rate for the 12-month period: 2.12% to a total of 544,270. The Cowboy State was followed by Utah (2.1%), Texas (1.97%) and Colorado (1.81%).

In addition, the estimated time when whites will no longer make up the majority of Americans has been pushed back eight years, to 2050, because the recession and stricter immigration policies have slowed the flow of foreigners into the U.S. The Census Bureau figures update last year's prediction that white children would become a minority in 2023 and the overall white population would follow in 2042. The earlier estimate did not take into account a drop in the number of people moving into the U.S. because of the economic crisis and the immigration policies imposed after the Sept. 11, 2001, terror attacks.

The total population should climb to 399 million by 2050, under the new projection, with whites making up 49.9% of the population. Blacks will make up 12.2%, virtually unchanged from today. Hispanics, currently 15% of the population, will rise to 28% in 2050. Asians are expected to increase from 4.4% of the population to 6%. □

Sources: New York Times and The Associated Press



## The Need for Speed

Home buyers who are eager to close the deal before the tax credit expires should be prepared to deal only with lenders who will respond to the need for speed. Even buyers without A-plus credit should be able to get a loan. "If you go to enough lenders, you can typically get a loan even with a low credit score. The terms, of course, are not as attractive," says Spencer Rascoff, chief operating officer of Zillow.com.

Another possibility is to propose a lease-purchase deal or land contract to the seller. If the deal is structured properly, both buyer and seller could walk away winners.

Source: CNN Money.com

The Q409 homeownership rate dipped in Q409, bringing the rate of homeowners at its lowest point since the second quarter of the year 2000, according to Census Bureau data. The Q409 rate of 67.2% is down slightly from Q309's rate of 67.6%, and is also down from Q408, when the homeownership rate was 67.5%. Rental vacancy decreased to 10.7% from 11.1% in Q309, while the homeowner vacancy rate increased to 2.7% in Q409 from 2.6% in Q309. Source: Housing Wire

## Selected Interest Rates

February 18, 2010

30 Year Mortgages	4.97%
2009 High (June 11)	5.59%
2009 Low (April 30)	4.78%
15 Year Mortgages	4.33%
5/1 Hybrid ARMs	4.12%
1 Year Adjustables	4.23%
10 Year Treasuries	3.79%

Sources—Fed Reserve, Freddie Mac. Note: Average rates do not include fees and points. Information is provided for indicating trends only and should not be used for comparison purposes.