

# Jan/Feb 2008 NEWSLETTER



## NAR Puts Housing Market in Perspective: 2007 will be the Fifth Best Year on Record

### Special points of interest:

- October 2007 Illinois foreclosures were up 25% from October 2006.\*
  - October 2007 National foreclosures were up 94% from October 2006.\*
- \*SOURCE: RealtyTrac

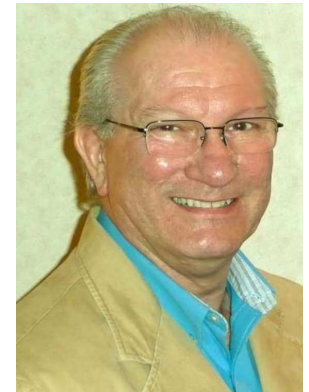
What a difference five years makes. That's the point made by NAR economists and practitioners in today's Economic Issues and Residential Real Estate Business Trends Forum at the National Association of Realtors® 2007 REALTORS® Conference & Expo. In 2002, home sales set a new record at just over 5.5 million, and three-quarters of metro areas showed price gains over the previous year. At the time, home buyers were confident that

the real estate market was strong and healthy. In 2007, existing-home sales are forecast to be about 5.5 million, and two-thirds of metro areas showed price gains last quarter. Both 2002 and 2007 show strong sales, and homes continue to prove a good long-term investment. But this year, public perceptions are different. "In some ways, the extended real estate boom from 2001 to 2005 created unrealistic expectations that housing is a

short-term high-yield investment," said NAR Chief Economist Lawrence Yun. "2007 will be the fifth best year for housing on record. Yun explained that while the recent rise in foreclosures and delinquencies has dampened consumer confidence in real estate, these problems have been concentrated in the subprime market. "For buyers who qualify for conventional financing, mortgages are available at favorable rates," said Yun.



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### HOMES SOLD IN GREATER CHICAGOLAND AREA NORTH\*:

STANDARD HOME = Detached single family 4 bedroom, 2 1/2 baths, basement & 2 car garage.

As of 1/31/08:

MONTHS AGO	24	12	9	6	3	2	1	6 Month Period Trend
# SOLD	3,810	1,599	1,063	505	161	67	15	↓
TIME to SELL (days)	118	142	144	165	191	218	180	↑
SOLD \$	\$455,035	\$462,056	\$455,132	\$430,813	\$428,840	\$386,680	\$414,853	↓
FINAL ASK \$	\$471,461	\$481,625	\$475,359	\$452,349	\$453,678	\$412,696	\$435,609	↓
CHNG TM TO SELL	-	24	2	21	26	27	-38	
% CHNG TM TO SELL	-	20%	1%	15%	16%	14%	-17%	
CHNG SOLD \$	-	\$7,021	-\$6,924	-\$24,319	-\$1,973	-\$42,160	\$28,173	
% CHNG SOLD \$	-	2%	-1%	-5%	0%	-10%	7%	
# SOLD PER MONTH	159	133	118	84	54	34	15	↓
# CURRENT LISTINGS							1,090	↗
# MONTHS SUPPLY	6.9	8.2	9.2	13.0	20.3	32.5	72.7	↗
	1/06-1/08	1/07-1/08	10/07-1/08	8/07-1/08	11/07-1/08	12/07-1/08	Jan-08	

\*MLS Areas Barringtons, Elgin, Chicago Area North, Nth Shore, North West Regions & Lake Cnty.

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*New home construction down.*

### **Necessary Corrections** (edited) *By NAR Chief Economist Lawrence Yun*

The [latest housing starts figure](#) continues to show exceptionally weak levels. A total of 1.01 million units were started for construction in January, which was an increase of 0.8 percent from the prior month. The increase was driven by a jump in multifamily unit starts. Single-family units continued their descent. The current new home construction activity has essentially been cut in half from the peak levels in 2005 and is at the lowest point in over 15 years. This low level of new home construction is a needed adjustment. [My outlook](#) is for new single-family home construction to decline for another year-and-a-

half through the second quarter of 2009. Lower home construction cuts into economic growth. The component that goes into GDP calculation called residential construction spending fell 18.3 percent in the final quarter of 2007 over a one-year time span. As a result, GDP growth will be sub-par throughout 2008. However, lower home construction activity is just what is needed to help stabilize the housing market. A high number of vacant new homes will pressure home prices on existing homes to fall and that could result in a siz-

able loss in housing equity for a vast portion of 75 million homeowners in the U.S. Consumer spending can spiral downward fast from loss in equity and push the economy into a deep recession. So the only way to halt this scenario is for the inventory to be reduced. That will happen if builders hold back on construction and that is what they are doing. Builders currently are in a very tough spot: to build a home and lose money or not build a home and not make money. I am glad that builders are taking the latter option and this is a necessary correction in the homebuilding industry.

*“three of the four projects with the highest national percentage of costs recouped this year were exterior upgrades.”*

### **Exterior upgrades recoup most costs.**

According to the ["2007 Remodeling Cost vs. Value Report,"](#) three of the four projects with the highest national percentage of costs recouped this year were exterior upgrades. The most profitable project on the national level was upscale siding replacement, recouping 88 percent of costs upon resale. Wood deck additions and

wood window replacements also returned more than 80 percent of costs, at 85 percent and 81 percent, respectively. On a national average, the only interior project to return more than 80 percent of remodeling costs this year was a minor kitchen remodel, returning 83 percent of project costs at resale.



*No change to Jumbo loan start point.*

### **Loan Purchase Limits Remain the Same for 2008**

Fannie Mae and Freddie Mac have announced that loan purchase limits for 2008 are unchanged from those in effect last year. Loan purchase limits set the maximum original loan amounts allowed on single-family conventional mortgages the government-sponsored enterprises can purchase. The loan limits for first mortgages are still \$417,000 for mortgages on single-family properties. But,

the Presidents relief bill has temporary increases in this limit—check with your mortgage provider.

## Volume I, Issue I

### The Latest Pending Sales Index and Forecast Release

This week's release shows that over the next few months, existing-home sales are expected to hold fairly steady, then rise later in the year and continue to improve in 2009. Lawrence Yun, NAR chief economist, said there is a pull and tug exerting itself on the market, making the exact timing and strength of a home sales recovery uncertain. "On the one hand, we have a pent-up demand from the four million jobs added to

our economy over the past two years of sales decline," he said. "On the other, consumers continue to wait for additional signs of market stabilization. There are more people with financial capacity now than in 2005, but many are trying to market-time their purchase. A meaningful recovery in existing-home sales could occur as early as this spring, or it may be further delayed toward late 2008." *(I and my office team have*

*seen a dramatic increase in property showings since mid January. Just lookers so far, buying has not picked up yet. But, we are encouraged.)*



*Lawrence Yun,  
Chief Economist,  
NAR Research*

### Statewide median price off a fraction for the year.

Home sale prices held steady in 2007 as the correction in the Illinois housing market focused on sales volume, according to [IAR's December year-end report](#). The Chicago Primary Metropolitan Statistical Area (PMSA) median home sale price for 2007 was \$254,000, up 2.4 percent from \$248,000 in 2006. Statewide, the median sale price was \$204,000, down

0.5 percent from \$205,000 in 2006. IAR President Kay Wirth says "The biggest challenge in 2007 was declining sales volume due to several factors including tightening of mortgage qualifications from the sub-prime market decline, weakening consumer confidence, and buyers who remained on the fence waiting to see how the market performs. Now we're

getting back to the basics of the housing market—find a buyer and you can make a sale as long as the price is right. There are many choices for buyers and mortgage rates are the lowest in several years increasing the affordability for some buyers."

*The Chicago Primary Metropolitan Statistical Area (PMSA) median home sale price for 2007 was \$254,000, up 2.4 percent from \$248,000 in 2006.*

### Short sale info for consumers.

Check out the consumer information on [foreclosures](#) and [short sales](#) available at [www.yourillinoisahome.com](http://www.yourillinoisahome.com). The site is designed to help buyers and sellers learn the basics of buying and selling a home and why it's important to use a professional, licensed Illinois REALTOR. If you have to sell short, go to short sales article under "Selling a Home" to learn more about that option. Here find tips from [Partnership for](#)

[Homeownership](#) CEO Beth Llewellyn and Will Weaver, of the Floyd Wickman Team [Short Sale Workshops](#), who provided the following list of documents required by the lender in a short sale:

- A Letter of Authorization for an attorney or REALTOR to act on your behalf in the sale of the home
- Financial Disclosure Form

- One-page "hardship letter" explaining how you got in this position
  - Last two months pay stubs
  - Copies of most recent two months personal checking account statements for each borrower on the loan
- Copy of signed last two years' personal tax returns



*Not enough money.*



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### Service is Our Promise to You!

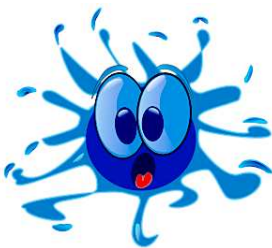
## Perna's Corner

- It is a new year and this is our first newsletter in 2008! It is a wonder to me that it is already mid February as I write this column. Time does go by faster and faster as you age!
- The biggest news so far this year is the NIU story—a terrible tragedy of the kind I can not figure. I am generally against personal freedom restrictions but when these type occurrences happen I wonder about our firearm laws. (Or is it us I should wonder about?)
- 30 year fixed mortgage rate is @ 6%, 0 points, one of the lowest rates in decades. (Yes it has been lower, in fact it was 5.75% last week. My sources say though higher is more probable than lower this year.) Probably won't go much lower as recessionary and/or stagflation concerns continue to float around. If you have a desire to refinance or (shush!) even buy a home, now is a great time — low rates and a huge housing inventory from which to choose your special home.

### We're on the Web!

[www.PernaPropertiesGroup.com](http://www.PernaPropertiesGroup.com)

## Foreclosure talking points.



Scary yes, but don't hide if foreclosure looms. Reach out beforehand.

[RealtyTrac's October foreclosure report](#) shows Illinois among the top 10 states with the highest foreclosure rates (Illinois 1 for every 532 households; U.S. 1 for every 555 households) for the month of October '07. An estimated \$850 billion in adjustable-rate loans are scheduled to reset by 2008 (source: *Fortune* magazine, Sept. 3, 2007).

- “Be wary of advertisements like ‘Cash for Houses/Any Situation’ or ‘We Buy Houses for Cash.’ Consumer groups have learned that many of these are scams that bait homeowners with the promise of rescuing them from imminent foreclosure. Unfortunately, the

‘rescue’ often involves the borrower signing over the house and the family being evicted from their home.” (Source: [“Are You Having Problems Paying Your Mortgage?”](#))

- “If your current lender isn't willing or able to help, you may be able to refinance your current mortgage with another lender. REALTORS can help you find responsible lenders that make fair and affordable loans.”
- “While the recent rise in foreclosures and delinquencies has dampened consumer confidence in real estate, these problems have been concentrated in the subprime market. For buyers who qualify for con-

ventional financing, mortgages are available at favorable rates.”

- “If you are having trouble paying your mortgage for any reason, or expect problems, you should work with experts and your lender to find a solution now. If you're in trouble, call the [Homeownership Preservation Foundation](#) at 888-995-HOPE.”