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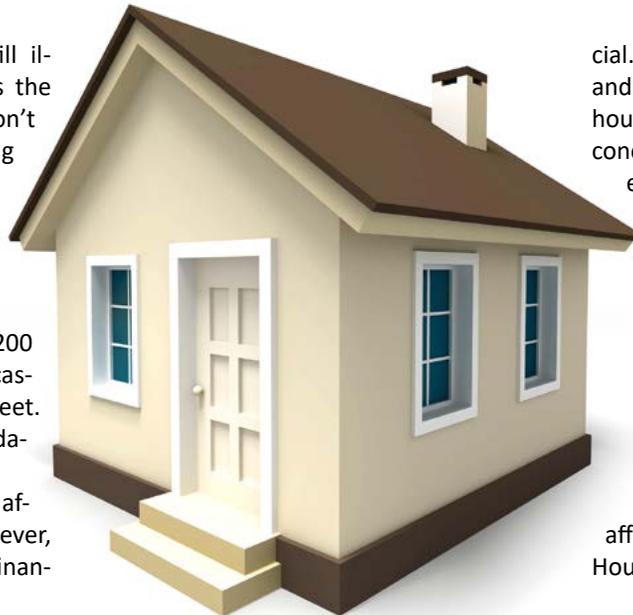
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Tiny Home Neighborhoods Are Popping up Across America

Although tiny homes are still illegal in many places across the U.S. because they often don't meet zoning and building standards, some cities are starting to change ordinances to allow the downsized dwellings. In some places, entire tiny home communities are developing.

Tiny homes typically have between 200 and 600 square feet, although in some cases they may be as small as 80 square feet. They can be set on wheels or on foundations.

Tiny homes also tend to be more affordable than traditional homes. However, the appeal of these homes isn't only finan-



cial. It's also about simplifying one's life and growing closer relationships with other household members and neighbors, a niche concept that appeals to certain homebuyers who don't want to live in traditional homes.

Planners and builders are starting to develop neighborhoods and subdivisions that allow tiny home enthusiasts to live together in towns around the country, including Texas, Florida and Colorado. In 2014, Spur, Texas changed its local laws and claims to be the first tiny home-friendly town in America.

"Most of America is struggling with affordability," said Alexis Stephens of Tiny House Expedition, who is also working on a

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documentary on tiny home living. “We can activate existing land and create housing that is affordable by design.”

Spur’s population was declining as people left for bigger cities. However, its friendly attitude toward tiny homes has helped generate a lot of interest and attract new residents.

Tiny home dwellers have a lot of options for land to build upon in Spur. Danny Schallenberg, a tiny house builder and developer in Spur, is also building a tiny home subdivision. The tiny home subdivision will sit on two acres and have 22 homes.

The properties will be a mixture of one or two-bedroom one-level homes that will be close together to promote a sense of community. Each house will have its own driveway and will cost between \$30,000-\$50,000. Schallenberg says that he is receiving calls daily from buyers interested in purchasing homes in the subdivision.

In Rockledge, Florida, another tiny home community is being built thanks to Rene Hardee. After deciding it was time to downsize her family from a three-bedroom, two-bathroom home, Hardee became interested in building and living in a tiny home. Initially, she only wanted to build a tiny house for her own family, but she soon found out that the city council wasn’t likely to approve her proposal if she were the only person living in a tiny home. As a result, she started to develop plans for an entire community of tiny homes.

The city has changed its zoning laws and they’ve almost settled on a site plan. Now Hardee is looking for a developer to build the tiny home neighborhood. She said she is struggling to find a developer because there is already a lot of building going on in the area and developers and builders are choosing between multi-million dollar projects.

She hopes to build the neighborhood within a year. The current plan includes 13 homes. Hardee is excited about the sense of community that a tiny home subdivision will create.

Chinese Developers Reassess U.S. Projects



Some Chinese developers are lowering their profit expectations or are pulling out of their U.S. real estate projects completely as high real estate prices and rocky partnerships are forcing them to rethink their investment strategies.

Accordingly to analysts, an increasing supply of high-end New York condominiums is expected to result in losses for some Chinese developers. In addition, Chinese developers’ partnerships with U.S. developers on other projects have resulted in some unexpected legal concerns, which have caused delays in completing these projects.

“I see a danger in the real estate market in the U.S.,” John Liang, Xinyuan Real Estate’s managing director of U.S. operations, told *The Wall Street Journal*. “With its seven- to eight-year cycle, you get a sense now that it’s peaking.”

A project by New York developers Slate Property Group and Shenzhen-based China Vanke is currently stalled due to fierce opposition and an investigation by federal prosecutors and the state attorney general.

The U.S. real estate market has seen a large influx of Chinese capital over the past five years. Now many analysts believe that these investments may have peaked for the present moment. However, they do not think that the Chinese are likely to stop investing in U.S. real estate completely.

Commercial Real Estate Market Sees Mixed Results After Election



According to Moody’s/RCA Commercial Property Price Indices data, commercial real estate prices are continuing to rise across the United



States. Pricing for all commercial properties increased by 1.2 percent in October over the prior month. The year-over-year pricing increase was 8.6 percent as of October 2016.

Until the presidential election in November 2016, commercial real estate results were fairly consistent. Although analysts predicted that Treasury yields would rise, none anticipated the pace at which Treasury yields increased since the November 8 election. Some analysts expect that rates will stabilize and possibly decline once lenders have had a chance to go over the information that led to the sharp market moves that followed the election.

“If inflation picks up, that is generally good for real estate and the risk premium required by lenders should go down. It is just unclear how long it will take for spreads to come in and how much more rates will go up before stabilizing,” said Andrew Little, an investment banker at John B. Levy & Co.

First-Time Homebuyers Struggle to Find Affordable Homes to Purchase



It's getting harder for first-time homebuyers to purchase homes in the U.S. The supply of affordable homes available to these buyers remains low and is actually worsening, according to the latest data from real estate site Trulia.

In 2016, the number of affordable homes on the market experienced its largest year-over-year decline in three years, falling 12.1 percent. However, there is good news given that wages have started to rise for younger home shoppers after stagnating for many years after the Great Recession.

Although incomes are increasing, home prices have risen even faster in many cities throughout the country, which is making homeownership unaffordable for many first-time homebuyers. On aver-

age, a first-time buyer has to pay up to 39 percent of their monthly income to afford the median-priced starter home. In addition, mortgage lenders are maintaining strict credit and income standards when approving mortgages.

However, homebuyers who are upgrading to larger homes have the advantage. A homeowner looking to buy a larger home just needs 25.5 percent of his monthly income in order to afford a larger home. Buyers at the high end of the market only need 14 percent of their monthly income in order to afford a premium home.

Starter homes continue to be affordable in much of the South and Midwest. However, in the priciest markets, the cost of a median-priced starter home is higher than the local median income, according to data from Trulia.

Hiver CEO Predicts Major Tech Trends in Real Estate for 2017



In an interview with Realtor.com, Niraj Ranjan Rout, cofounder and CEO of Hiver, recently predicted that technology will have a major influence on the real estate industry in 2017. He estimated that virtual reality, big data and home technology will become the biggest real estate trends of 2017.

“Aside from internalizing technology on an everyday basis to run your real estate business ... there are some very huge tech trends that literally can change everything as we know it,” said Rout.

Virtual Reality: For years, consumers have enjoyed virtual reality (VR) in the gaming industry. Now Rout expects that VR will begin to have a major impact on the real estate industry by giving buyers opportunities to experiment with different home styling options and navigate floor plans.

Big Data: In 2017, real estate professionals will make greater use



of big data. They will turn to big data sources, like Facebook, to connect with and learn more about people who plan to move.

Home Technology: Technology, such as smart lighting, temperature controls, and automated door locks are expected to increase in demand among homebuyers in 2017.

“It’s improving energy efficiency, quality of life, home functionality, and more,” said Rout.

Homebuilder Confidence Has Increased, but They’re Not Building New Homes



A monthly survey of homebuilder confidence for December 2016 found that this figure spiked to its highest level in 11 years. However, a Commerce Department report for the same period found that new home construction declined by 18.7 percent.

“During the course of the recession, the builders, being entrepreneurs, were sometimes more optimistic than the market has been. I think as we come back to normalcy, you’ll see a pretty parallel track,” said Jerry Howard, NAHB’s CEO. “They have to be optimistic, or they have to get into another profession.”

Some analysts believe that the discrepancy between homebuilder optimism and the decline of new housing starts is due to the fact that there is high demand for housing and a very low supply of homes. However, homebuilders are still not building because they are facing huge labor shortages and new regulations that are increasing their costs.

The costs of land and materials are also rising and there are shortages of finished lots available in the neighborhoods where people want to live. Finally, homebuilders are continuing to approach homebuilding with caution after having survived the previous housing crash, which was the worst in U.S. history.

Newly Created S&P 500 Real Estate Sector Continues to Decline



Since its creation in September 2016, the S&P 500 real estate sector has lagged behind the rest of the market as its worst performing sector.

The sector declined 10 percent since it launched, while the S&P rose 2 percent in the same time. However, analysts are not surprised about the real estate sector’s continued poor performance, given recent interest rate increases.

“For the past 3 years, while we’ve been in this low interest environment, the REIT sector/Industry has hovered between 35 and 45 forward earnings, clearly commanding a premium for the dividends paid out and moving in the opposite direction of the yields,” Erin Gibbs, Research Analyst at S&P Global Market Intelligence, Research Division, wrote in an email to CNBC.

During the first half of 2016, real estate investment trusts (REITs) were one of the best-performing groups, gaining nearly 9 percent in that time, while the S&P gained only 3 percent overall. However, as the 10-year note yield began to rise, some REITs saw a sharp decline in valuations.

The Vanguard REIT index fund, which tracks the performance of REITs, declined nearly 5 percent over the past 6 months. The top holdings of this index fund include Simon Property Group, Public Storage and Prologis.



Redfin Predicts 2017 Will Be the Fastest Housing Market on Record

Redfin, a real estate brokerage, has predicted that home price growth will remain constant



with homes selling even faster in 2017 than they did in 2016. This will make 2017 the fastest real estate market on record.

“Baby boomers will become less economically relevant as millennials continue to come of home-buying age. Superstar cities will create much of the job growth, pushing wages in those cities up. Yet the percentage of homes in America’s largest cities that are affordable on the median income has declined the past two years and will continue to fall in 2017. Sales would be even stronger if there were more starter homes on the market to meet demand from millennial homebuyers. We expect to see more homes built in second-tier cities and more millennial homebuyers moving from the coasts to smaller and inland markets where they can find affordable starter homes,” said Redfin chief economist Nela Richardson.

Redfin analysts have predicted that homes will stay on the market for even less time this year because of increasing demand for short-notice home tours and emerging real estate technology that will facilitate real estate transactions.

In addition, Redfin expects that new construction growth will slow. More people will have access to home loans and millennials will move to second-tier cities.

Russian Interest in U.S. Real Estate Increases After Trump Election



Russian interest in buying luxury properties in the United States increased by 35 percent in 2016 following Donald Trump’s election victory, according to global real estate consultancy, Knight Frank.

Knight Frank reports that Russians are interested in purchasing vacation homes and investment properties. Nearly all potential Russian homebuyers are looking to spend between \$500,000 and \$5

million on residential properties. An additional 10 percent are hoping to buy commercial real estate.

The most popular destinations for Russian buyers are New York City and Miami.

“Many of our customers are going to the Art Basel Miami Beach exhibition and will see real estate there,” said Marina Kuzmina, head of international sales at Knight Frank Russia. “A few customers are interested in the opportunity to buy property in development projects of Donald Trump, and we have received requests from U.S. developers wishing to cooperate with Russia.”

Some Russian real estate investors see Donald Trump’s election as a sign that relations between the United States and Russia may improve in the near term. Trump has praised Vladimir Putin as a strong leader.

Although demand for U.S. real estate from Russian buyers declined after Western countries imposed sanctions on Russia as a result of its involvement in the crisis in Ukraine, Russian buyers have returned.

Rising Sea Levels Are Forcing Agents to Rethink How They Sell Coastal Properties



Real estate agents used to sell coastal properties by focusing on how close the home is to the water’s edge. However, buyers are increasingly asking instead how far away the property is from the waterline. They also want to know how many feet the property is above sea level and if there are emergency and preventive measures to help to secure the property from damage if a storm occurs.

A warming planet has already affected several industries, forcing them to consider the potential future costs of a changed climate. The real estate industry is just starting to awaken to the need to fac-



tor in the potential damage caused by rising seas and storm-driven flooding. However, many economists are saying this transformation needs to happen faster and that homebuyers need to be made aware of the risks of buying coastal properties.

Although the demand for coastal properties has remained strong, homeowners across the country are starting to shy away from buying properties in the areas that are most susceptible to the effects of climate change. According to Attom Data Solutions, home sales in flood-prone areas grew about 25 percent slower than in counties that do not typically flood.

“I don’t see how this town is going to defeat the water,” said Brent Dixon, a resident of Miami Beach who plans to move north and away from the coast in anticipation of worsening king tides, the highest predicted tide of the year. “The water always wins.”

These concerns are becoming increasingly urgent after the election of president Donald Trump, who has long been a skeptic of global warming.

In 2016, Sean Beckett, the chief economist for Freddie Mac,

made a bold prediction. He said that it is only a matter of time before rising sea levels and storm surges in coastal areas become so unbearable that people will leave and ditch their mortgages. This could potentially trigger another housing crisis, except that this time housing prices will likely never recover.

A 2016 report from CoreLogic, a real estate data firm, found that the state of Florida is home to six of the ten U.S. urban centers most vulnerable to storm surge. Southeast Florida currently experiences ten tidal floods per year on average. Climate researchers estimate that there will be over two hundred floods each year by 2045.

Roughly 40 percent of Americans live and work in coastal areas. While those who can afford it are making the necessary investments to protect their homes, many skeptics worry that these upgrades simply won’t be enough.

Homeowners are also worried about the increasing cost of flood insurance. As the premiums increase, property values decline, which has hurt home prices in places like Atlantic City, N.J.; Norfolk, Va.; and St. Petersburg, Fla., according to local real estate agents.



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