

# Real Estate Digest

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## Five Real Estate Trends To Watch for 2018

Investor interest, which sparked a sharp rise in home prices and made it difficult for homebuyers to gain a foothold in the market, will begin to ease in 2018 as part of continued market improvements, according to the [realtor.com® 2018 National Housing Forecast](#).

The easing of the inventory shortage, which is expected to result in more manageable increases in home prices and a slight acceleration of home sales, is predicted based on developments first detected by [realtor.com®](#) in 2017. The annual forecast also foresees an increase in Millennial mortgages and strong sales growth in Southern real estate markets. The recent tax reform legislation is a wildcard that will impact housing markets in 2018.

Here is a more detailed explanation of the five housing trends that are expected to emerge this year.



### 1 Inventory Will Begin to Increase

In August 2017, the U.S. housing market began to see a higher than normal month-over-month deceleration in inventory that has continued. Based on this pattern, [realtor.com®](#) projects U.S. year-over-year inventory growth to tick up into positive territory by fall 2018, for the first time since 2015.

Inventory declines are also expected to decelerate slowly this year, reaching a 4 percent year-over-year decline in March before increasing in early fall, after the peak home-buying months.

“Inventory increases will be felt in higher priced segments after spring home buying season, which we expect to take hold and begin to provide relief for

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buyers and drive sales growth in 2019 and beyond.” said Javier Vivas, director of economic research for realtor.com®.

## 2 Price Appreciation Expected to Decline

Growth in home prices is forecasted to slow to 3.2 percent growth year-over-year nationally, from an estimated increase of 5.5 percent in 2017. Most of the deceleration will be felt in the higher-priced segment of the market as the available inventory in this price range shrinks and a smaller pool of buyers forces homesellers to price their homes more competitively.

## 3 Millennials Will Gain Market Share

Although Millennials are expected to continue facing challenges from rising interest rates and home prices, they are on track to gain mortgage market share in all home price segments. Millennials could reach 43 percent of home buyers taking out a mortgage by the end of 2018, up from an estimated 40 percent in 2017.

## 4 Southern Markets Predicted to Lead in Sales Growth.

Southern cities are anticipated to beat the national average in home sales growth in 2018. Leading the pack are Tulsa, Okla.; Little Rock, Ark.; Dallas; and Charlotte, N.C. Sales will grow by 6 percent or more in these markets, compared with 2.5 percent nationally.

## 5 Tax Reform Will Produce Unknown Impacts

While tax cuts will mean more disposable income for many taxpayers, the loss of tax benefits for owners could lead to fewer sales and impact prices negatively over time. Markets with high prices and incomes are expected to be impacted the most.

This year, home prices are estimated to increase 3.2 percent year-over-year after finishing 2017 up 5.5 percent year-over-year. Existing home sales are forecasted to increase 2.5 percent to 5.60 million homes, due in-part to inventory increases, which will be significantly more than 2017's 0.4 percent increase.

Mortgage rates will rise to 5.0 percent by the end of the year as a result of stronger economic growth, inflationary pressure and the normalization of monetary policy this year.

## Compass Secures Largest Real Estate Tech Investment in U.S. History



Compass, a real estate technology fund based in New York City, announced that SoftBank Vision Fund, the investment arm of the Japanese technology company SoftBank, is investing \$450 million in the company.

According to Compass, SoftBank's investment is the largest investment in real estate technology in the history of the U.S. SoftBank's investment also doubles the amount of money that Compass has managed to raise. To date, Compass has raised a total of \$775 million.

Compass bills itself as the “first modern real estate platform,” and operates somewhat similar to other real estate listing platforms like Trulia, Zillow, Realtor.com, and Redfin. However, Compass earns its revenues differently.

Compass focuses on broker listings. Instead of generating revenue from ads, Compass takes a portion of the sale when a transaction is conducted via its platform. According to the company, in the past two years, Compass's “agent-centric technology,” which helps agents increase their commissions by 25 percent in their first year, has enabled it to increase its agent population by 500 percent.

The company, which was founded in 2012, currently operates in 11 regions: New York City, Los Angeles, Chicago, San Francisco, Boston, Washington D.C., Miami, Orange County, The Hamptons, Santa Barbara and Montecito, and Aspen.



## NAR Warns Tax Bill Will Cause Housing Prices to Drop in Every State



Proposed changes caused by the recently passed tax bill are raising concern in the real estate market. Some supporters of the tax legislation argue that doubling the standard deduction means the mortgage interest deduction and state and local property tax deductions are no longer needed. However, the

privilege of home ownership in the U.S. has always been closely linked to the availability of the mortgage interest deduction.

Despite studies that suggest the mortgage interest deduction might not be good tax policy, it has benefited the real estate market. Without it, the National Association of Realtors anticipates housing prices will decline by at least 10 percent across the board.

The organization recently released a report breaking down on a state-by-state basis how tax reform might hurt home values.

While high tax states are likely to be the most adversely impacted by the tax reform legislation, the NAR found that it will also affect homebuyers in other states. Homeowners in N.J. will experience the sharpest decline, followed by homeowners in Conn., Ill., N.H., Md., R.I., Va., Wis., Ga., Minn., N.Y., Ohio, Pa., and Texas. But NAR expects home values in every state to fall, with declines ranging from 10 percent on the low end to 21 percent at the high end.

## New Study Confirms Marketing Opportunity for “Hyper-local” Real Estate Expertise



Real estate professionals admit they are not delivering when it comes to providing their clients with hyperlocal knowledge of specific housing markets, according to a new survey.

The newly published Hyperlocal Real Estate Survey, commissioned by the startup zavvie and conducted by the WAV Group, uncovered that agents feel they have failed to get the message across about their local neighborhood expertise in their marketing outreach.

Roughly 95 percent of 350 real estate professionals surveyed said local market knowledge is “extremely important” or “very important” for their clients. But just 12 percent of respondents say their marketing focuses on how they specialize in specific neighborhoods.

The survey found that 60 percent of respondents claim to specialize in a large regional or metro area, something the authors of the survey claim is unrealistic.

“It’s an oxymoron to specialize in a metro area,” said Stefan Peterson, COO of zavvie. “You can’t even specialize in a city or a town—it’s just too big of an area, geographically, to be a ‘go-to expert’ that knows every single home in that size of a market. Yet that’s what folks were claiming.”

The survey also found that just 17 percent of agents are using hyperlocal marketing platforms such as the Nextdoor social media site, neighborhood websites (15 percent) or a personal blog (7 percent).

## Nextdoor Expands Real Estate Division into Three New Markets



Community networking platform Nextdoor announced the expansion of its real estate business into three new markets: Minneapolis-St. Paul, Minn.; Washington D.C.; and Tampa-Saint Petersburg, Fla. The company, which recently raised \$75 million in funding, says it selected these areas for their robust market conditions and long waiting lists.

The real estate division, which launched in August 2017, enables



Nextdoor users to speak with local real estate agents about topics ranging from housing trends to available listings. Furthermore, Nextdoor released three new ad products for agents, which included local pages, neighborhood sponsorships, and branded listings.

“The launch of our new real estate category makes it easy for neighbors to easily find listings for nearby homes for sale and identify and connect with the most recommended real estate professionals in their local area.” Nextdoor CEO Nirav Tolia told Inman in August.

The real estate section initially launched in the greater Atlanta area, Austin, San Francisco Bay area, Dallas-Fort Worth, Houston, Los Angeles, Phoenix, Portland, Sacramento and San Diego. Tolia says its success in those markets prompted the decision to expand.

Agents in the newly added markets can create a business page at no cost.

## Profits From House Flipping Continue to Decline



Even as investors have increased home flipping activities, they are seeing lower profits in return.

Higher home prices, increased renovation costs, and a lower supply of distressed properties are making it increasingly expensive to get started, even as the demand for move-in ready homes remains high.

Single family homes and condos flipped in the third quarter of 2017 brought an average gross profit of \$66,448 per flip, representing a 47.7 percent return on investment for home flippers, according to ATTOM Data Solutions, a real estate data and analytics company. ATTOM defines a flip as a home purchased and sold to a buyer within a 12-month period.

It is the lowest reported average gross flipping return on investment since mid-2015. Down from 48.7 percent in the second quarter and down from 51.2 percent in the third quarter of 2016.

“Home flipping profits continue to be squeezed by a dwindling inventory of distressed properties available to purchase at a discount and increasing competition from fair-weather home flippers often willing to operate on thinner margins,” said Daren Blomquist, senior vice president at ATTOM Data Solutions.

One major change is that there are more investors flipping homes and each investor is flipping fewer homes. The ratio of flips per investor, just 1.25, is the lowest since 2008.

## This Is How Long It Takes to Sell a Home



These days it takes three weeks to sell a home, according to the National Association of Realtors. Five years ago, the median number of days a home stayed on the market was eleven weeks.

Low housing supply has bumped up home prices and created multiple offer situations leading to bidding wars throughout the country.

“Inventory shortage and the growing economy and job creation has increased the interest in homebuying,” said Lawrence Yun, chief economist for NAR. “There is just not enough inventory; people need to fight over the few homes available on the market.”

Historically, 1.2 million new homes have hit the market each year, he said. In 2017, roughly 800,000 were built. Yun says that today’s housing shortage is largely due to a decade of underproduction.

In some hot housing markets, three weeks can actually be an eternity. Denver’s housing market has been on fire recently, with home prices increasing by more than seven percent in the last year.

Steve Thayer, owner of Keller Williams Action Realty in Denver, said he’s sold over a dozen homes in less than a two week time period. He also said he has received blind offers from buyers before they have even seen the home.



## U.S. Midwest Emerges as Top Draw for Real Estate Investors



Investors shifted their focus back to the Midwest this year, according to a new report released by HomeUnion, an online real estate management and investment firm.

HomeUnion reviewed two years of sales data on single-family rental properties across the nation to locate the markets most popular with investors in 2017. Metros located in the Midwest dominated its top 10 list, with Chicago taking the top spot.

“The list highlights the growing popularity of Midwest real estate markets,” says Steve Hovland, director of research for HomeUnion. “Rental properties in these metros are trading at a faster rate than before. As their local economies continue to grow, the cost of living is lower than it is in most coastal metros, and median local incomes are keeping pace with home values.”

HomeUnion identified the following 10 real estate investment markets as the most sought-after of 2017:

- 1 Chicago: 30.4 percent (the percentage increase in investment home sales from 2016 to 2017)
- 2 Columbus, Ohio: 18.1 percent
- 3 Atlanta: 6.9 percent
- 4 Detroit: 2.6 percent
- 5 New York: 2.5 percent
- 6 Cincinnati: 2.1 percent
- 7 Philadelphia: 1.6 percent
- 8 Orange County, Calif.: 1.5 percent
- 9 Indianapolis: 1.3 percent
- 10 Milwaukee: 1 percent

Meanwhile, Florida markets declined in popularity and were among those at the bottom of HomeUnion’s list.

## Wire Fraud Is the Fastest Growing Real Estate Cybercrime in the U.S.



According to the FBI, the Internet Crime Complaint Center saw a 480 percent increase in the number of complaints filed in 2016 by those in the real estate industry. The majority of these complaints were related to real estate wire fraud, a scam that has become more common.

The FBI told the *Washington Post* that in 2017, cyber criminals stole or attempted to steal nearly \$1 billion from real estate purchase transactions. That figure is up from \$19 million in 2016, which makes wire fraud the fastest growing real estate cybercrime in the U.S.

“As with any other target for cyber criminals, if there is an opportunity to profit, the criminals will come. That said, there are likely three reasons real estate is attractive to cyber criminals,” ERA Real Estate CEO Sue Yannaconne said. “One, because of the diversity of targets. Second, because they prey on unknowing home buyers who don’t know how to spot a scam, and three, because of the amounts involved — it is not uncommon for buyers to wire transfers for hundreds of thousands of dollars.”

According to Yannaconne, homeowners looking to buy can do several things to protect themselves including:

- ✦ Be suspicious and alert right before a transaction closes,
- ✦ Scan emails and sending instructions for inconsistencies,
- ✦ Change passwords regularly,
- ✦ Avoid emailing over unsecured networks, and
- ✦ Verify wire transfer information by phone or in person.



## 8 Reasons to Market Your Listings With 3D Tech



Photos, videos, and diagrams are critical for marketing properties because they help clients visualize the offer. Despite being in its early stages, 3D technology can provide agents with several important benefits.

Here are 8 ways to put 3D to work on your next listing. Use 3D Photography to:

### 1 Facilitate the Decision-Making Process

Buyers can narrow down their choices by “experiencing” the property through 3D tools. A photo set can show the main features of the property, such as curbside appearance, architectural style and footprint helps buyers rank their choices.

### 2 Keep Buyers Focused on Key Selection Criteria

Realistic visuals of the property can guide the decision-making process as buyers prepare a shortlist or refine their preferences for a specific property.

### 3 Eliminate the Need for Multiple Tours

Professional visuals may help to speed up the decision-making process, giving buyers a better sense of features, layout and overall design.

### 4 Help Out-of-town Buyers Get a Better Experience Viewing the Property Remotely

For buyers who feel uncomfortable buying a house sight unseen, virtual tours allow potential buyers to view a property anytime from anywhere in the world.

### 5 Make Visuals More Engaging

Virtual reality makes real estate listings more impactful. Buyers can establish an emotional connection with the property.

### 6 Approach Presentations with More Flexibility

Opt for a bare-bones presentation or a more elaborate 360-degree animated view. More expensive properties should receive a full treatment. However, even mid-range homes can attract more attention with a 3D tour embedded in the online listing.

### 7 Choose from Multiple Ways to Create a 3D Tour

Several companies offer full-service 3D packages for real estate. You can also purchase software to take your own high quality 2-D photographs with a digital camera. Then upload your photos to a platform that transforms them into 3D tours.

### 8 Relieve Sellers of the Stress of Being Open-House Ready

Selling a home is stressful for property owners who have to live in the home until it sells. The virtual tour reduces the need for open houses and actual tours. Real estate agents can also spend less time on exploratory tours with prospective buyers.

As 3D photography evolves, its relevance for the real estate sector is gaining wider recognition.

If you are still undecided about using 3D photography for at least some of your listings, keep this in mind: Today’s gamers and social media consumers are tomorrow’s homebuyers. They understand, appreciate and may even prefer virtual tours.



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