

Real Estate Digest

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Top 7 Trends Affecting Residential Real Estate

As home buying trends shift, the number of residents in metro areas across the country is expected to grow at a faster pace for at least the next two decades. Larger numbers of residents mean more housing and more attention paid to residential real estate markets.

Here are the top seven trends that are expected to impact local residential real estate the most in 2018 and beyond.

1 Supply Continues to Decline: According to Lawrence Yun, chief economist of the National Association of Realtors, overall housing inventory in the U.S. “is currently near historic lows.” This trend continues despite a rise in new home construc-

tion in January, according to a report from the U.S. Department of Commerce.

2 Smart Homes Are on the Rise: Smart home technology will gain greater adoption as it is incorporated into new home designs. Smart home technology includes everything from thermostats that can be remotely configured from a smartphone to simple upgrades, such as gadget charging stations built directly into a kitchen countertop.

Finally, these devices are in addition to the energy-efficient measures that homebuyers are already demanding for energy conservation and to save money on utility bills.

3 Tech-savvy Homebuyers: Homebuyers are already more likely to use online



tools when searching for a home to buy.

David Williams, a Realtor with Century 21 Sweyer & Associates, said buyers already come to him with lists of properties they want to see after researching them on real estate websites, such as Zillow.com.

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For agents, these websites have also become premier destinations for buying real estate leads thanks to their highly targeted online traffic.

- 4 More Realtors:** The number of people who decide to become Realtors typically declines when the economy is down and increases once it rebounds. Currently, the number of Realtors is on the rise. In recent years, local real estate companies across the nation have expanded and added new offices.

"We've seen a consistent growth in our real estate school. We run typically about two or three classes at a time, and those classes will have 30 people in them," said Tim Milam, president at Coldwell Banker Sea Coast Advantage in Wilmington, Del. "Go back five years. Those classes would have had 15-20. So as the market's gotten better, more and more people are getting in the business, and I think it's going to continue for another couple of years."

- 5 Remodeling Instead of Moving:** As home prices continue to soar, some homeowners are opting to remodel their homes instead of moving to a new home. A tight supply of residential properties in many markets also means that other people who want to move are turning to the resale market rather than purchasing new homes. In turn, this also causes a shift toward the remodeling market, according to analysts from the data firm Metrostudy.
- 6 Homebuyers Want Smaller Homes:** Realtors have confirmed that buyers of all age groups, from baby boomers to millennials, are opting for smaller homes. Though they may have purchased something larger in the past, these days they are opting for less square footage. The demand for townhomes is also on the rise.

- 7 Residents Are Moving Farther Away From Urban Cores:** With home and rental prices becoming increasingly unaffordable in

larger city centers, real estate industry experts maintain that the growth in residential real estate will expand to nearby areas away from urban cores.

Amazon Expands Into Real Estate With Amazon Experience Centers



In recent months, Amazon has expanded into real estate in several ways. For its most recent attempt at increasing the company's influence on the real estate industry, Amazon announced it has partnered with Lennar, the country's largest homebuilder, to launch what it calls "Amazon Experience Centers."

The "Experience Centers" will serve as showrooms for Amazon's smart home products. Instead of building stand-alone showrooms, Amazon will outfit Lennar model homes with Amazon gadgets.

The partnership with Lennar will help people learn how an Amazon-enabled smart home can function, says Nish Lathia, the general manager of Amazon Services. Consumers will be able to test out voice-controlled smart home devices, learn how to automate deliveries of physical products, and order home services through Amazon, says Lathia.

"We wanted customers to experience a real home environment that showcases the convenience of the Alexa smart home experience, great entertainment available with Prime, and Home Services," Lathia said.

Experience Centers are already open in Lennar model homes in Atlanta, Dallas, Los Angeles, Miami, Orlando, San Francisco, Seattle, and Washington, D.C. The companies plan to open additional locations in the near future.



Banks Are Walking Away From Low-Income Homebuyers



Low- and moderate-incomes only made up 26.3 percent of borrowers in 2017, according to recently released federal data on mortgage lending from the Consumer Financial Protection Bureau. This was a decline of 10.3 percent from the 36.6 percent figure reported in 2009.

The change is partially the result of federal rules that cracked down on subprime lending. Soaring housing costs have also resulted in many potential first-time homebuyers being unable to enter the market.

The data also uncovered a major change: big banks are moving away from mortgage lending altogether. Instead, independent mortgage companies, or non-banks, have doubled down on volume and now account for 56 percent of all home loans.

As banks have moved away from the mortgage business, they have abandoned lending to lower-income black and Hispanic buyers, who often apply through Federal Housing Administration loan programs. In 2017, only 15 percent of new mortgage borrowers at the top three largest banks in the nation were low-income as compared to 29 percent at the three largest non-banks.

Large banks are blaming their departure from FHA lending on the penalties they incurred as a result of litigation brought against them by the Department of Justice under the False Claims Act.



Homebuyers Seeing Lower Asking Prices in Several Hot U.S. Markets

In a handful of red-hot real estate markets across the country, asking prices are cooling off. Austin, San

Antonio, and Honolulu, are three markets where median listing prices dropped significantly, according to a new report from Trulia.

In March, median list prices declined by 5.4 percent in San Antonio followed by Austin, which saw a 3.4 percent drop, and finally Honolulu with a 1.4 percent decline. In seven other hot housing markets, asking prices were mostly unchanged or only slightly higher.

One feature that nine of the ten markets share is that listing inventories increased from a year earlier, which likely impacted the growth of asking prices, according to Felipe Chacon, housing economist at Trulia. Camden, N.J., was the only city to experience a decline in inventory.

One of the most extreme examples of the decrease in listing prices is Austin, where home construction is booming and starter home listings increased 150 percent in the first quarter from a year earlier.

“The story over the past six years was one of steady inventory decline, so these are big increases upward,” Chacon said in a phone interview with Bloomberg. In some markets, “this is possibly the beginnings of inventory turning around and home-price growth slowing from a breakneck pace.”

Housing Confidence Reaches New High As Home Prices Jump



Consumer confidence increased to its highest level on record in April, according to a monthly sentiment index from Fannie Mae.

According to the index, the share of consumers who think now is a good time to sell and those who think home prices will continue to climb increased the most. More consumers also believe their incomes will increase over the next year, while fewer consumers are concerned about losing their jobs.



“Consumer attitudes remain resilient going into the spring/summer home buying season,” said Doug Duncan, senior vice president and chief economist at Fannie Mae.

He also believes rising mortgage rates combined with the tightest home supply in decades will continue to hinder home sales.

The Fannie Mae survey also found that just 18 percent of Americans have a higher household income than one year earlier. This means many potential home buyers do not have extra cash given that home prices are rising faster than incomes.

As demand continues to rise, millennials are starting to become homebuyers. The good news is that despite waiting longer to become homebuyers after the great recession, millennials are more likely to have higher-paying jobs than previous generations of first-time homebuyers.

The Best Day and Time to List a Home for Sale



A new study from Redfin uncovered that Thursday is the best day for agents to debut new home listings. Redfin found that homes listed on Thursday were more likely to sell within 90 to 180 days. Homes also get five times more views on the first day they are listed as compared to subsequent days.

“Our market is programmed to look at houses Thursday and to plan their weekends out,” said Marshall Carey, a Redfin agent in Washington, D.C. “You really want to have the most eyes on your property, and Thursday seems to be the day to do that.”

The study also found that Sunday is subsequently the worst day to list a home. Before the internet, homes were listed in newspapers on Sundays. These days most online real estate sites offer new listing alerts to potential buyers, which is why the model has changed.

One agent even recommends listing on Thursday at 5 p.m. in order to avoid the rush of agents listing on Thursday morning.

“The afternoon is better because on Thursdays all of us are listing, and so if you list in the morning, you end up actually on Page 2 of the listing, further down, and you want to be on the top,” said Jennifer Myers, a real estate agent with Dwell in the D.C./Virginia area.

Top 10 Most Affordable Places to Live in the U.S.

Housing cost is not the only factor that determines home affordability.



How much potential homebuyers earn also matters. To identify the most affordable places to live across the country, SmartAsset, a personal finance technology company, calculated the total cost of five expenses associated with owning a home.

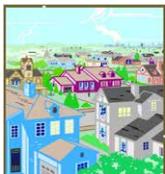
These expenses included mortgage payments and property taxes over five years, as a proportion of the median household income for each area. In terms of affordability, cities in the South earned half the top spots on the list.

Here are ten cities across the U.S. that ranked as the most affordable places to buy a home:

- 10 Conley, Ga.**
Average annual mortgage payment: \$2,744
Annual property tax: \$358
Median income: \$37,825
- 9 Cusseta, Ga.**
Average annual mortgage payment: \$3,062
Annual property tax: \$644
Median income: \$43,929
- 8 Alexandria, Ind.**
Average annual mortgage payment: \$3,319
Annual property tax: \$792
Median income: \$48,672



- 7 Blackwell, Okla.**
Average annual mortgage payment: \$2,399
Annual property tax: \$368
Median income: \$38,580
- 6 Progreso, Texas**
Average annual mortgage payment: \$2,352
Annual property tax: \$1,012
Median income: \$43,355
- 5 Shamokin, Pa.**
Average annual mortgage payment: \$1,763
Annual property tax: \$687
Median income: \$30,925
- 4 Holbrook, Ariz.**
Average annual mortgage payment: \$3,593
Annual property tax: \$559
Median income: \$51,192
- 3 Federal Heights, Colo.**
Average annual mortgage payment: \$1,927
Annual property tax: \$438
Median income: \$37,474
- 2 Kermit, Texas**
Average annual mortgage payment: \$2,163
Annual property tax: \$582
Median income: \$50,321
- 1 Pecos, Texas**
Average annual mortgage payment: \$2,057
Annual property tax: \$735
Median income: \$51,364



Why Americans Are Leaving Urban Cores for the Suburbs

Americans are moving away from urban cores to lower-density suburbs and exurbs, according to a recent analysis of United States Census Bureau data. The analysis, performed by William Frey, a demographer at the Brookings Institution, established 2012 as the peak year of the urban renaissance. Since then, the growth of urban cores has declined by half while exurban county growth has quadrupled.

The last time Americans left the cities for the suburbs, from the 1950s to the 1980s, was due to the fear of crime. This time, the current migration stems from soaring housing and rental prices in the country's largest metros that have become unaffordable for many potential homeowners and renters. In Los Angeles and San Francisco median home prices are more than ten times median household incomes.

Older people are not the only ones moving to the suburbs. According to the National Association of Realtors, more than 50 percent of Americans under the age of 37 are settling in the suburbs. In 2017, data from the Census Bureau showed that 25- to 29-year-olds are 25 percent more likely to move from the city to the suburbs rather than in the opposite direction. Older millennials are more than twice as likely to make this same move.



The Best Places to Live in the U.S. for 2018

The annual list compiled by U.S. News & World Report, a global authority in rankings and consumer advice, ranks the 125 largest metropolitan areas on a variety of characteristics. The top-ranked places are considered to have the best job prospects, quality of life, and affordability.

For 2018, Austin, Texas, claimed the number one spot for the second year in a row. Colorado Springs, Colo., took the number two spot. Denver slipped to number three. Des Moines increased five



spots to number four, and Fayetteville, Ark., rounded out the top five for the second consecutive year.

“The top-ranked places are areas where citizens can feel the most fulfilled socially, physically and financially,” said Kim Castro, executive editor at U.S. News.

Over the past year, several metro areas experienced significant gains. Colorado Springs jumped nine spots on the list from number eleven last year to number two this year. This area ranked higher on the list thanks to a booming job market and high quality of life scores.

Portland, Ore., came in at number six, up from number thirty-two last year, thanks to a net migration increase and new job opportunities for its residents.

5 Tips to Help You Get Your Client’s Asking Price

Higher offers are better for you and your client. Limited inventory or a highly competitive market often help you get offers that are higher than your asking price. However, markets move down as well as up and the marketplace will not always accommodate your buyer’s optimistic expectations.

Most real estate markets around the country are quite favorable to the seller right now, but that won’t always be the case. Here a few tips to keep in mind when the market turns.

1 Prepare Yourself (and Your Sellers) for the Initial Offer: Initial offers typically are between 5 percent and 25 percent less than the original asking price. This occurs because buyers do not want to pay the full asking price on a home. While the percentage discount might vary based on a number of factors, it is almost certain that the initial offer will never meet or exceed the full asking price.

2 Try to Minimize the Number of Days on the Market: There is a clear correlation between the number of days a home is on the market and the percentage of the original asking price potential buyers are willing to pay.

Since you cannot cover up how long a home has been on the market, the best solution is to focus on finalizing an offer as quickly as possible. Ideally, you should sell the home within 60 days of listing it. Make sure your clients understand this is part of your pricing strategy.

3 Accept Offers Within the 10 Percent Range: It may not be realistic to only focus on accepting offers at the full asking price. Instead, you may receive a number of offers that are actually fairly close to the asking price.

When you start to receive offers within 10 percent of the original asking price, you are close to a good deal. However, if you receive lower offers, you might want to keep waiting for better opportunities.

4 Negotiate: If there is an offer that sounds promising, make sure to negotiate. There are many different ways to achieve the goal of maximizing the offer while still maintaining the buyer’s interest.

For example, you could offer to:

- ✦ Make repairs or improvements to the home.
- ✦ Agree to concessions regarding other terms of the deal.
- ✦ Make a counteroffer supported by market data.

5 Consider a Price Drop: If the offers you receive are much lower than the original asking price or you are not getting any offers, you may need to consider a price drop. This could reveal to some buyers that there is not much interest in the property, but it might be enough to generate interest in the property.

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