Real Estate Digest

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TitleSmart, Inc.

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The 10 Fastest Growing Cities in the U.S.

According to a recent report from the Census Bureau, eight of the 10 fastest-growing cities in the U.S. are located in the South with the population in large southern cities increasing by an average of 9.4 percent. Cities in Texas claimed five of the top ten spots. While two cities in the West also made the list, the Northeast was noticeably absent from the list.

The list of 10 fastest growing cities in the U.S. was tabulated according to the population percent change from July 2015-July 2016 in cities and towns with populations of 50,000.

1 **Conroe, Texas:** Conroe is a Houston suburb and was the fastest-growing city in the country last year with a reported population increase of 7.8 percent. The growth rate of Conroe was 11 times higher than the national average. Despite having a relatively low unemployment rate, nearly 20 percent of the population lives below the poverty line, according to the 2015 American Community Survey.

2 **Frisco, Texas:** From July 2015 to July 2016, Frisco saw its population increase by more than 6 percent.

3 **McKinney, Texas:** McKinney has experienced a population increase of 5.9 percent, making it the third fastest growing city in the U.S. Home prices in this Dallas suburb have been on the rise since 2016. The median home value in McKinney is $293,400, representing a nearly 8 percent increase in the past year.

4 **Greenville, S.C.:** Greenville's population has increased 5.8 percent. Cities in the South are growing at a faster rate than any other region in the country, according to the Census Bureau.

5 **Georgetown, Texas:** Georgetown's population has increased 5.5 percent. The city, which is located about 30 minutes

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from Austin, is home to Lake Georgetown. According to Zillow, the median home value in Georgetown is $261,800, an increase of 5.9 percent in the past year.

6 **Bend, Ore.:** Bend has experienced a population increase of 4.9 percent. The median home value is up nearly 11 percent in the past year to $377,900, according to Zillow. Home prices in many markets in Oregon have been rising thanks to low inventory levels.

7 **Buckeye, Ariz.:** Buckeye is a western suburb in Phoenix. Its population has increased 4.8 percent. Home prices in Phoenix also saw a 5.6 percent year-over-year increase in March, according to the latest S&P CoreLogic Case-Shiller Indices.

8 **Bonita Springs, Fla.:** Bonita Springs is the fastest-growing city in Florida. It has experienced a population increase of 4.8 percent.

9 **New Braunfels, Texas:** New Braunfels' population has increased 4.7 percent. Homes in New Braunfels have also been selling at a faster pace recently. In March, the median number of days on the market for homes in New Braunfels was 69, down from 93 in February.

10 **Murfreesboro, Tenn.:** Murfreesboro has seen a population increase of 4.7 percent. Located roughly 35 miles from Nashville, home values in Murfreesboro have risen 12.5 percent in the past year, according to Zillow.

3 Million First-time Homebuyers Shut Out of Home Market in Past Decade

In the past decade, three million would-be first-time homebuyers have been shut out of purchasing a home. There were an average of 1.5 million first-time homebuyers per year in the last decade, according to a new report from Genworth Mortgage Insurance. That is significantly less than the historical average of 1.8 million a year. First-time homebuyers play an important part in the housing market, and their absence has caused a major drag on the entire economy.

During the housing boom years leading up to 2007, the homeownership rate in the United States soared. However, it all came to a screeching halt during the years following the Great Recession. In April, the rate stood at 63.6%, according to the government.

From 2014-2016, first-time homebuyers accounted for 85% of the housing market's expansion, according to the report. In 2016, there were two million first-time buyers, an increase of 15% from the year before.

"The homeownership rate will stage a recovery over the next few years," said Tian Liu, chief economist at Genworth Mortgage Insurance. "I think we will see a reversion to a historic mean of around two-thirds of American families owning their homes. I think that is a very exciting time."

America's Hottest Real Estate Markets: May 2017

Driven by an increasingly scarce supply of available homes, prices for residential real estate reached new heights in May and many homes were swiftly purchased by a lucky few homebuyers, according to new data from Realtor.com®.

As of Spring 2017, the nationwide median home list price climbed above $250,000 for the first time. Now at $275,000, the median list price of a home is 10 percent higher than in 2016. Prices are showing no signs of leveling off.

This is good news and bad news. The good news: The inventory of homes for sale increased slightly from April to May, with 560,000 new listings. The bad news: That was still a drop of 11 percent from May 2016 — not nearly enough to keep up with increasing demand.

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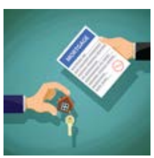
Much of the new inventory is quickly being purchased or is priced beyond the reach of the average homebuyer.

"With a record number of home buyers out there, this is officially the most competitive, fastest-moving spring housing market in decades," said Javier Vivas, manager of economic research at Realtor.com. "Following a furious start to the season, the median days on market for homes on Realtor.com in May is the lowest since the end of the recession, and marks the first time that 1 in 3 homes is selling in under 30 days nationally."

For May 2017, the top 5 hottest real estate markets were Vallejo, Calif., San Francisco, Calif., Boston, Mass., Sacramento, Calif., and Kennewick, Wash.

Home Prices Are Increasing, But Mortgages Are Still Cheap



The median existing home price climbed to $252,800 in May, according to the National Association of Realtors. At this point, home prices have been rising every month for more than five years. While this is good news for homesellers, buyers are finding it increasingly difficult to find homes that they can afford.

Cities across the United States are experiencing major housing shortages, which means that buyers are competing for homes with bidding wars and offers that are well above asking prices.

"Prices are moving up and properties are moving quickly," said Danielle Hale, NAR's managing director of housing research.

In addition, builders are not building enough homes to keep up with the growing demand. Homeowners are also reluctant to list their properties because they worry that they won't be able to find or afford a new home.

Rents are also increasing, which makes it harder for potential buyers to save up for a home in the first place.

However, there is one bright spot for buyers: mortgage rates.

Even though the Fed has begun to raise interest rates, mortgages have remained below 4 percent recently. For the third week of June, the average rate of a 30-year fixed mortgage ticked down to 3.90 percent.

Fed Announces Third Rate Hike in 7 Months

As anticipated, the Federal Reserve implemented a quarter-point federal funds rate hike in June, increasing its benchmark target to between 1 percent and 1.25. The rate hike was made "in view of realized and expected labor market conditions and inflation," the Federal Open Market Committee said.

The decision marks the fifth rate hike since December 2015, when the Fed raised rates after an eight-year hiatus. In March, the Fed governors voted to raise interest rates by 0.25 percent, to a range of 0.75 percent to 1.00 percent, citing an improving labor market and inflation below 2 percent.

These factors have continued into the second quarter of 2017 with unemployment at 4.3 percent and "on trend to fall to 3 percent-something by year-end," according to Lou Barnes, mortgage broker and writer with Inman.

The Fed sets the rate for the overnight exchange of money by banks; governors adjust the rate to help curb inflation or stimulate growth, depending on their assessment of what would be best for the economy.

Although this rate is not the same thing as the mortgage interest rate that buyers pay when they take out a loan on a home, movement of the Fed rate — up or down — can put pressure on mortgage

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interest rates, which frequently follow the lead of the 10-year Treasury note, also known as the "long bond."

Industrial Real Estate Development Reaches 10 Year High

Development of industrial space in the U.S. is at a 10-year high. The current pace of development is showing no signs of a slowdown in the near future.

Roughly 247 million square feet of new industrial space is expected to be delivered this year. This is the most since 2007, according to real estate services firm JLL. Rents are also at record highs, while vacancies are at a 17-year low.

Construction activity is also increasing nationwide. Five metropolitan areas — Dallas, the Inland Empire east of Los Angeles, Philadelphia, Denver and Atlanta — accounted for more than half of new development starts in the first quarter. Although more supply is hitting the market, JLL expects 88 percent of the markets that it tracks to remain favorable to landlords.

JLL also noted that some tenants are starting to become more cautious. As a result, they could be surprised with more expensive rents upon the renewals of their leases. E-commerce companies and food subscription services drove leasing activity in the first quarter of 2017, according to the firm.

"The market is on fire today for industrial property owners, but in some markets it poses unique challenges for companies searching for industrial space," said Craig Meyer, president of JLL's Industrial group in the Americas.

Real Estate Companies Are Moving to the Cloud

With much of the focus on agents' personal touch, the real estate industry has been slow to adopt new technologies. However, firms are starting to embrace the cloud because it can handle back-end functions that consumers don't see: accommodating major swings in traffic due to the business's seasonal nature, processing millions of property photos, and estimating sales prices in real time by analyzing thousands of data points.

Zillow Group Inc., the largest U.S. real estate industry website, uses Amazon Web Services (AWS) to manage millions of listings, even for homes that aren't currently listed for sale, including photos, pricing, neighborhood demographics, and much more. Microsoft Corp. and Alphabet Inc. are also starting to attract real estate companies.

Weichert Realtors uses Microsoft's cloud services to host millions of images and continues to shift additional functions onto the service. French real estate website Meilleurs-Agents SAG started using Alphabet's Google Cloud Platform to improve speed when the firm's traffic grew.

In addition to the cost benefits of using cloud computing services, it's also faster, said Satheesh Ravala, senior vice president for cloud engineering and operations at Ellie Mae Inc., a mortgage origination company that uses AWS to automate loan application processing tasks.

Outsourcing to the cloud, Ravala says, is "like renting a car vs. building one yourself,"

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Mortgage Applications Down 12 Percent Since 2016

Even though mortgage application volume increased 2.8 percent in the second week of June, all thanks to refinances, the Mortgage Bankers Association's seasonally adjusted weekly index was 12 percent lower compared to a year ago when rates were slightly lower.

As rates ticked lower for the second week in a row, refinance applications increased 9 percent over the previous week.. Refinance volume, however is nowhere near where it was just a year ago — 27 percent lower — when rates were even lower. Many consumers thought then was last the chance to take advantage of the lowest rates.

"From a borrower perspective, rates held steady at seven-month lows last week providing some borrowers an opportunity to refinance," said Joel Kan, an MBA economist. "Over the last two weeks refinance applications have increased 13 percent and the average loan size increased to its largest since September 2016, reflecting the tendency for jumbo borrowers to be more sensitive to rates than those with smaller loan balances."

Homebuyers are not seeing the same benefit from low rates, given weakening affordability and fast-rising home prices. Mortgage applications to purchase a home declined 3 percent for the week but are close to 8 percent higher than they were in 2016.

Why More Millenials Are Finally Buying Real Estate

For the past ten years, since the Great Recession forced many Americans to put their financial goals on hold, the real estate industry has been waiting for millennials to arrive on the home-buying scene, to begin buying, selling, fixing up and financing property.

One of the reasons that millennials are now starting to buy homes is that they are finally getting married and having children. According to the latest figures from the National Association of Realtors, millennials accounted for 34 percent of home buyers in 2016.

However, the real estate industry is still nervous about millennials' ability to buy homes given that many millennials have cash-flow issues, thanks to a huge amount student loans. Roughly 44 million Americans are currently paying off student loans these days, to the tune of $1.4 trillion. The average amount of student-loan debt has tripled in the last 20 years, and 2017 graduates carry about $36,000 worth of student loans as they left college and started their adult lives.

Here are some facts about millennials and student-loan debt that are problematic for the real estate industry:

- Roughly 58 percent of college graduates have student loans.
- 44 percent don't know the difference between private and federal loans.
- 37 percent don't know what interest rate their loans carry.
- 15 percent don't even know how much they owe.

Sales

Why More Real Estate Firms Are Now Offering Mortgages

More real estate firms are starting to offer mortgages, as traditional partnerships with lenders have been eroded by compliance strains. Real estate broker-

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ages' forays into mortgage financing have taken on a number of forms. Real estate franchisor Remax launched Motto Mortgage in 2016 as a franchise brand of mortgage brokerages.

In 2015, a group of Keller Williams executives acquired Fearon Financial, a Dublin, Ohio, nonbank lender that originated mortgages as Primero Home Loans and Smarter Mortgages.

Earlier this year, the brands were phased out and the business was renamed Keller Mortgage in order to leverage a deeper connection with the real estate franchisor. In the beginning of this year, online real estate brokerage Redfin started a mortgage banker.

These affiliated mortgage businesses, whether through joint ventures or outright ownership of a mortgage company, are increasingly replacing the marketing services agreements with lenders that have drawn scrutiny in recent years.

Creating ties between real estate companies and mortgage lenders offers several benefits.

"First and foremost, as you get scale, it is a natural extension and it's an adjacent growth opportunity in the mortgage business," said John Campbell, an analyst with investment bank Stephens Inc.

Owning a mortgage company outright or through a joint venture also provides a competitive advantage. Firms are able to turn around transactions faster by creating a seamless process between the two entities, said Campbell.

In addition to having greater control over the real estate process, real estate firms also see mortgage lending as a means of adding to their revenue streams.

However, such cross over activity has been going on for decades, said Steve Murray, the president of Real Trends, a real estate industry research and consulting firm. Large homebuilders, such as Lennar and Pult own mortgage companies. Other homebuilders have joint ventures with mortgage lenders, like the partnership between Stearns Lending and KB Home.

Realogy has 6,000 franchised offices in the United States. Its NRT subsidiary, which provides mortgage, title, insurance, escrow, warranty, relocation and concierge services to NRT's family of companies, owns 780 offices. In the first quarter, NRT and the franchised offices combined did $96 billion in home sales.

To own a mortgage banker outright or through a joint venture requires plenty of capital, Murray pointed out. For instance, Nationstar Mortgage Holdings tried to create its own one-stop shop operation with Xome, a company which had been marketed to buyers searching for homes. The firm allows consumers to pick a real estate agent and obtain a loan along with mortgage-related services, such as title insurance. However, the company is considering selling Xome as its profitability continues to decline.

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10 YEARS ★ ★ ★ 2007-2017 ★ ★ ★

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