Real Estate Digest

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TitleSmart, Inc.

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Renting Is Overtaking the Housing Market

Single-family rentals — either detached homes or townhomes — are developing faster than any other portion of the housing market. These rentals have outpaced both single-family home purchases and apartment-style living, according to the Urban Institute.

"Almost all the housing demand in recent years has been filled by rental units," says Sara Strochak, a research assistant with the Urban Institute. She also says that single-family rentals have increased by 30 percent within the last three years.

When did rentals become so popular and why are people becoming more inclined to rent rather than buy? Here is a quick overview of the rise in rentals and how it's affecting the housing market.

When Did the Rise in Single-Family Rentals Begin?

The housing bubble collapse and the subsequent recession shattered the decades-old tenant of American wisdom that you can't go wrong by purchasing a home. Most of the housing market fallout from the Great Recession has finally declined — foreclosures and underwater mortgages are back to traditional levels and home values have managed to recover in the majority of U.S. markets. However, one thing has not recovered: Americans' unquestioned desire to purchase a home.

Today, single-family rental homes and townhomes make up 35 percent of the country's 44 million rental units, as compared to 31 percent in 2006.

Who is Leading the Rental Trend?

Millennials are outpacing other groups in single-family rentals and many factors are contributing to this trend. Many young adults are in no hurry to commit to a specific location, whether they are traveling or simply aren't ready to buy into a particular area or home. Student loans and stagnant incomes are also making it harder for them to save for a down payment.

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Are Millennials the only Group Affected?

Young people are not the only ones renting. Americans over 55 have also become more interested in renting. According to RENTCafé, the number of renters aged over 55 has grown by an astonishing 28 percent between 2009 and 2015. Many of them want to rent homes instead of apartments. From 2010 to 2016, single-family rental households in the U.S. rose by nearly 2 million — 1.26 million of those renters were 34 to 65 years old, while just under 500,000 were 65 or older, according to a RENTCafé Census data analysis provided by Adrian Rosenberg.

When Did this Trend Become So Popular?

The home renting trend started when large firms began buying inexpensive homes during the recession and converting them into rentals, which were often rented by families who had lost their homes or who could not qualify for mortgages. Institutional investors purchased millions of single-family homes that had fallen into foreclosure.

Since home prices have mostly recovered, that business model no longer works and small-time landlords now dominate the market.

"I can buy lots in areas that I can't sell homes, but I can rent," real estate agent Adam Whitmire told ATTOM Data Solutions, a firm that analyzes housing market data, in a recent report. "The local economy may not have enough income or enough credit to buy but there is enough income to rent."

The main attraction to renting is obvious: buyers don't need to make a large down payment in order to move in. However, there will likely be "unintended consequences as the nature of some neighborhoods change," warned Daren Blomquist, senior vice president at ATTOM. Renters might not be as invested in communities as owners.

Weekly Mortgage Applications Rise As Rates Pull Back

Total mortgage application volume increased by 3.1 percent for the second week of November, according to the Mortgage Bankers Association's seasonally adjusted report. Volume remains 8.5 percent below a year ago, when rates were lower.

The jump was attributed to homeowners who took advantage of a pullback in interest rates, hoping to refinance before the next increase.

Refinance volume increased six percent for the week, marking the highest level in one month. Although refinancing is still off by 24 percent from a year ago because rates are now higher, that annual comparison might be about to change.

The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances of $424,100 or less was unchanged last week at 4.18 percent, with points increasing to 0.40 from 0.38, including the origination fee, for 80 percent loan-to-value ratio loans.

"Additional developments surrounding the administration's tax-reform plan pushed rates lower at the beginning of the week, but this was effectively offset by news of stronger economic growth in Europe," said Joel Kan, an MBA economist.

Interest rates have continued to move sideways, as the House and Senate work on their respective tax overhauls. The outcome of the vote is likely to influence markets and interest rates.

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US New Home Sales Soar to Highest Level in 10 Years

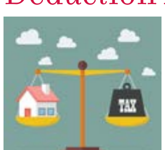
Sales of new U.S. homes increased in September to the highest level since October 2007. It is an indication that Americans, unable to find good choices in the stock of existing homes, are turning to new construction.

The Commerce Department says new home sales leapt 18.9 percent in September to a seasonally adjusted annual rate of 667,000, the most in a decade. Sales rose in all regions of the U.S., including the South, which experienced the highest gains with an increase of nearly 26 percent.

The government says it was unable to estimate what impact, if any, Hurricanes Harvey, Irma, and Maria had on the data that was reported. These storms devastated parts of Texas and Florida, and much of Puerto Rico and the U.S. Virgin Islands during the months of August and September.

A supply crunch of existing homes has left many would-be buyers frustrated and unable to purchase homes. This factor hobbled the housing market throughout 2017. However, September's figures suggest Americans are increasingly looking to purchase new homes instead, which could result in more construction. Despite this, developers have struggled to keep up with demand, given rising costs facing builders.

Senate Version of Tax Bill Saves Mortgage Interest Deduction but Realtors Still Unhappy



Real estate professionals revolted when the House GOP tax bill called for cutting the mortgage interest deduction for taxpayers from $1.1 million to $500,000. Granger MacDonald, chairman of the National Association of Home Builders, went as far as saying the plan "abandons middle-class taxpayer."

However, the Senate version of the bill opted to save the deduction by only decreasing the total eligible debt by $100,000 to $1 million.

A new analysis of both the House and Senate plans from home listing site Zillow shows why: both tax plans strive to offset losing some of the benefits of the interest deduction on higher value mortgages and reducing deductions for state-and-local income and sales taxes by increasing the standard deduction.

While the House bill allows up to $10,000 of property taxes on a home to be deducted, the Senate plan does not permit any property tax deduction at all.

Many in the real estate industry also worry that a major change to the mortgage interest deduction would crush demand in expensive markets. They are especially concerned that it would hinder demand from first-time buyers in particular.

Homebuilder Confidence Rises to 8-Month High

A monthly reading of home builder sentiment increased two points in November to 70, according to the National Association of Home Builders. This comes after a four point increase in October.

November's reading is the highest since March 2017 and the second highest on record since before the recession. The index stood at 63 in November 2016. Following the 2016 presidential election, builders were already quite optimistic, anticipating that the new administration would ease regulations contributing to higher builder costs.

"Demand for housing is increasing at a consistent pace, driven by job and economic growth, rising homeownership rates and limited

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housing inventory," said NAHB Chief Economist Robert Dietz. "With these economic fundamentals in place, we should see continued upward movement of the single-family housing market as we close out 2017."

Home builders are also benefiting from a severe shortage of existing homes for sale. New construction tends to be more expensive and buyers have few options. Millennials who are beginning to buy homes are also skipping starter homes and going straight to more expensive, new products.

Regionally, on a three-month moving average, builder confidence in the Northeast increased five points to 54 and rose one point to 69 in the South. Both the West and Midwest remained unchanged at 77 and 63, respectively.

Foreclosure Crisis Lurks in Hurricane Damaged Areas

Around 4.8 million mortgaged properties were in the paths of Hurricanes Harvey, Irma, and Maria. According to financial data firm, Black Knight, these properties represent nearly $746 billion in unpaid principal balances. In September, the number of loans that were over 30 days past due increased 48 percent in areas affected by Hurricane Irma and 67 percent in Harvey-affected areas. The firm has not compiled the numbers for Puerto Rico yet.

Another problem is that mortgage servicers tend not to release insurance payments until the homeowner has lined up a contractor to make the repairs. This is a task that could be daunting at a time when construction companies have months-long waiting lists due to a surge in demand for their services. In addition, homeowners also need money to immediately clean out their homes to avert further damage.

So far the Federal Housing Finance Agency, which regulates Fannie and Freddie, has responded to pleas by consumer advocacy groups. Its allowed affected homeowner customers to extend their loan terms and issued guidance for servicers to release more insurance funds upfront.

However, this policy change does not cover the approximately 40 percent of mortgages that are owned by private investors and banks. In Puerto Rico, this figure is even higher. Banco Popular, for example, is one of the biggest banks on the island and is only offering a three-month forbearance.

Fannie Mae Launches Program to Help Boost Homebuilding

Fannie Mae is considering a series of pilot programs designed to address an issue that has plagued the U.S. real-estate market for many years: a lack of affordable homes. Fannie's first initiative, which hasn't been finalized, would potentially make it cheaper and simpler for prospective homebuyers to obtain loans to build new homes.

"Everything is about supply right now," said Jon Lawless, Fannie's vice president for product development and affordable housing. "With these activities that we're undertaking, we hope we can find … a fast path to more supply."

In many cities, home values have surpassed their boom-era peaks. With many buyers already being priced out of the market, there should be more incentives to build homes. However, policymakers have struggled to make that happen.

The new program would allow the mortgage lender to sell the loan to Fannie Mae on the first day of construction. Fannie would put the loan into mortgage-backed securities along with traditional

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mortgages, which would potentially make the loans easier to get and cheaper. The borrower wouldn't be required to start making payments on the mortgage until they moved into the home.

Fannie's Lawless said the pilot still needs final approval from the company's regulator, the Federal Housing Finance Agency.

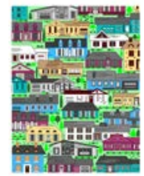
Facebook Announces New Features for Home Sales

Facebook announced that the company is expanding its real estate listings section on its Marketplace, which is Facebook's attempt to take on other e-commerce platforms, Craigslist and eBay.

"Marketplace is a popular place for people to look for a home to rent. Now that we're adding listings from Apartment List and Zumper, people can search even more options in the U.S. to find a place to call home," Bowen Pan, product manager at Facebook, said in a statement. "First with vehicles and now with housing rentals, we're partnering with businesses to bring more ease and convenience for consumers."

According to information provided by Facebook, since the beginning of 2017, search volume in the Marketplace tab has grown globally by 300 percent. Facebook currently permits individual homeowners to list their homes for sale on the Marketplace. Right now the feature is only available via the mobile app in the U.S. The current phase of the rollout includes custom filters for location, price, bedrooms, bathrooms, rental type, square footage, dog/cat friendly; along with the ability to upload 360-degree photos for individual rental listings.

8 Markets Where Housing Inventory Is Actually Increasing



Four of the eight national housing market regions are actually experiencing month-to-month declines in home inventory ranging from a fraction of a percent to almost 11 percent. However the other half is experiencing month-to-month increases in the supply of available homes for sale ranging from 4 percent to 11 percent.

Here are 8 markets where housing inventory is actually increasing:

8 Allentown, Pa.
Total Inventory: 3,455 (2.50 percent)
Homes Sold: 711 (-9.8 percent)
Median Sales Price: $186,000 (9.40 percent)

7 Nashville, Tenn.
Total Inventory: 9,664 (2.70 percent)
Homes Sold: 3,050 (-6.00 percent)
Median Sales Price: $268,000 (7.20 percent)

6 Dallas, Texas
Total Inventory: 13,147 (4.10 percent)
Homes Sold: 4,658 (-3.00 percent)
Median Sales Price: $279,000 (8.20 percent)

5 St. Louis, Mo.
Total Inventory: 13,868 (4.80 percent)
Homes Sold: 3,305 (-3.90 percent)
Median Sales Price: $168,000 (1.80 percent)

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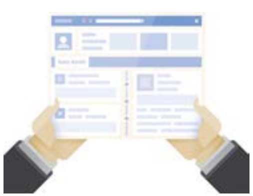
4 New Orleans, La.
Total Inventory: 6,155 (7.50 percent)
Homes Sold: 1,004 (-6.30 percent)
Median Sales Price: $202,200 (12.30 percent)

3 Austin, Texas
Total Inventory: 7,501 (8.80 percent)
Homes Sold: 2,329 (-0.90 percent)
Median Sales Price: $290,000 (3.90 percent)

2 Baton Rouge, La.
Total Inventory: 3,346 (12.90 percent)
Homes Sold: 807 (-20.30 percent)
Median Sales Price: $205,000 (8.00 percent)

1 Raleigh, N.C.
Total Inventory: 7,771 (16.10 percent)
Homes Sold: 2,022 (2.00 percent)
Median Sales Price: $265,000 (6.90 percent)

3 Facebook Updates That Affect the Way You Advertise Your Real Estate Business



In the last few months, Facebook has rolled out some updates to their Ads Manager feature that will affect the way you advertise your listings, business, and yourself as a REALTOR®. These updates include the removal of key options in detailed targeting and the addition of new options to target audiences and new ad layouts designed to provide audiences with a more engaging experience.

Detailed Targeting

After uncovering anti-Semitic ad targeting options in the job title/employer sections of their detailed targeting options, Facebook opted to remove the "self-reported targeting fields" in order to help rid the platform of hate speech and discrimination.

However, in this attempt, Facebook also removed many of the job title/employer options that real estate professionals use to target ads to their audiences. For instance, job titles such as "real estate sales agent, agent/broker, broker/owner, REALTOR®" (options that were previously available) are no longer available.

Event Interaction

Agents can bring in leads for open houses by using Facebook events. Sending all your followers an event invite for an open house can provide insight into who is interested in the property. Facebook has already seen the potential for advertisers who want to target followers who show interest in an event and are now allowing ads to target any person who has marked the invite as "interested," "going," or both.

Following the open house, you can use this list of "interested" invitees for further promotions. Send them a promoted ad of the listing, which will allow you to gain lead information from those who attended, as well as those who showed interest in the event. This will double your chances of getting the property sold.

New Canvas Layouts

Canvas ads are interactive ads that not many REALTORS® tend to use. Although this ad type requires more time to create, it enables audiences to engage with the ad on a deeper level by choosing the direction they want the ad to take them. Previously, Facebook only had one template available.

Realizing the potential, Facebook now offers two templates for users to choose from. Now you can use canvas ads to take your audience through a virtual tour of a home.

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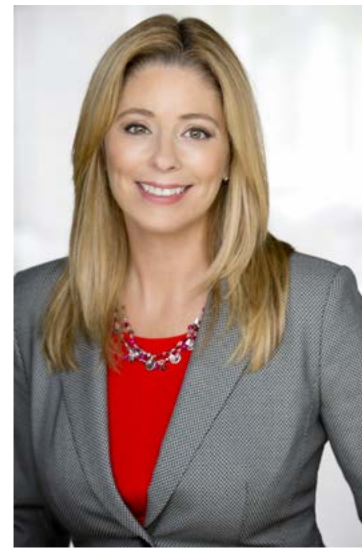

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President & CEO

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