Real Estate Digest

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TitleSmart, Inc.

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A Plague of Million-dollar Homes Haunts U.S. Real Estate

Owning a million-dollar home isn't as rare as it used to be. The share of homes valued at more than $1 million has increased by more than fourfold since 2002, according to data released by real estate site Trulia. The company analyzed luxury real estate markets in the top 100 U.S. metropolitan areas and found that 4.3 percent of homes across these regions are worth $1 million or more, compared with 1 percent in 2002.

Real estate values have risen dramatically since the housing crisis, resulting in higher price tags for many homes. Trulia also found that $1 million doesn't necessary denote a "luxury" home. In some cities, a home value of $1 million or more is the norm rather than an indicator of top quality. This creates problems for lower-income buyers who can't afford to keep up with the rising property prices, while cutting the amount of inventory that is available at prices under $1 million.

The share of homes valued at less than $1 million is "decreasing at a rate we're surprised by," said Trulia senior economist Cheryl Young. "It was 98.9 percent in 2002, and now it's 95.7 percent. That is pretty shocking."

Rising real estate values, a lack of new construction, and tight inventory are three issues contributing to the surge in million-dollar homes. Yet another factor may be contributing to the problem: rising income inequality, which has only benefited the bank accounts of the richest Americans.

The top 0.1 percent of American earners, or those who earn $6 million on average in income, have seen their incomes rise by 320 percent between the years 1980 to 2014, compared with just 42 percent for middle-

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income workers, according to research published in 2017 by Gabriel Zucman and fellow economists. This has created a huge divide in the spending power between the richest Americans and the middle class. It also gives those at the top the buying power to spring for homes worth $1 million or more.

It may also explain why the share of homes worth $5 million or more is growing even faster. These homes are what Trulia describes as “the most luxurious homes available.” While it only accounts for 0.28 percent of overall sales, this figure is five times higher than in 2002, Trulia said.

“It was interesting to think about whether $5 million is becoming the new $1 million,” Young said.

Young’s analysis found that homes worth $5 million or more tend to share a few traits, such as having ideal locations or views and “estate” or “park-like” grounds. They also tend to be larger than the median home and feature designs by well-known designers and architects.

A few listings also have unusual features, such as swim-up bars or bulletproof glass. They also have another quirk: more bathrooms than bedrooms.

“The crunch is obviously happening at the starter segment. That’s where affordability hits the hardest,” Young said. “As that share grows, the people it impacts are the people at the bottom.”

These are the five metropolitan areas with the largest share of homes worth $1 million in 2017:

- San Francisco: 66 percent
- San Jose, California: 56.4 percent
- Los Angeles: 23.8 percent
- Fairfield County, Connecticut: 17.7 percent
- Long Island, New York: 17.4 percent

Millions of Americans Can’t Afford Their Rent

Nearly half of all renter households were considered cost-burdened in 2018, according to a new report from Harvard’s Joint Center for Housing Studies. That means nearly 21 million households are paying more than 30 percent of their income to cover their housing, which includes utilities. Other renters are experiencing an even tighter jam. Roughly 25 percent of renter households are paying more than half their income for housing.

The good news is that the number of cost-burdened renters is starting to decline. In 2014, 21.3 million renters were spending over 30 percent of their income for housing. Losing such a large chunk of your paycheck to housing can have a long-term impact on savings and force difficult spending decisions. It may also cause inequality to worsen among renters, the report found.

The amount of money the lowest-income renters have after paying their housing expenses declined by 18 percent from 2001 to 2016. The improving economy and wage increases have helped to lessen the rental cost burden for some earners.

However, an influx of high-income renters has also played a role in the reduction. Affluent renters have driven roughly 30 percent of renter growth in the past decade. In 2016, over 18 percent of renter households earned at least $100,000, an increase from 12 percent in 2006.

Home Prices Are Set to Soar This Year

The supply of homes for sale is continuing to fall as the strengthening economy pushes demand. Sales prices increased 7 percent annually in November 2017, according to a new report from CoreLogic.

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Price gains at the end of 2017 far outpaced gains during the first half of the year. Low supply and high demand are driving the increases and neither of these conditions is expected to ease up anytime soon.

"Rising home prices are good news for home sellers, but [they] add to the challenges that home buyers face," said Frank Nothaft, chief economist at CoreLogic, in the report.

Nothaft said the lack of supply is the worst at the lowest end of the market and is expected to hit first-time buyers the hardest.

In the nation's top fifty markets, half the housing stock is considered overvalued, according to market fundamentals like income and employment. Without a significant increase in home construction, prices are expected to continue to climb.

Las Vegas, San Francisco, and Denver are the country's most overvalued markets, according to CoreLogic. CoreLogic defines an overvalued housing market as one in which home prices are at least 10 percent higher than the long-term, sustainable level.

Home Equity Hits a Record High and Here's What Homeowners Are Spending It On

Homeowners are accruing record amounts of home equity, thanks to fast-rising values in today's housing markets. It comes as no surprise that people are starting to tap into that cash. What are they spending it on? Most opt to make their homes even more valuable.

According to a survey released in December 2017 by TD Bank, 80 percent of borrowers taking out home equity lines of credit say they would consider using the money to renovate their homes.

"We're not only seeing more requests for proposals, but more committed projects from home owners," said Steve Cunningham, a remodeler from Williamsburg, Virginia, in a report from the National Association of Home Builders. "In addition to regular updates and repairs, there's been an uptick in more ambitious large remodel requests."

Older housing stock combined with not enough new homes being built means people are choosing to renovate.

Homeowners are also using home equity cash for education expenses and to pay down other debt so they can lower their monthly bill payments. Other homeowners are investing in the stock market or buying more real estate. Among borrowers, there is a strong confidence that home values will continue to rise, says Matthew Weaver, vice president of sales at Finance of America Mortgage.

Four Growth Areas for Homebuilding in 2018

A growing economy along with positive demographic trends are expected to fuel growth for the housing market, even as affordability challenges rise from an increase in prices and mortgage rates, according to realtor.com®'s 2018 Housing Forecast.

The report highlighted the following key factors for builders this year:

1. Entry-level home construction offers a huge opportunity for growth. Entry-level homes will continue to see price gains due to the larger pool of buyers and more limited homes available for sale in this price range.
2. Millennials will gain market share in all home price segments. With the largest cohort of Millennials expected to turn 30 in 2020, their homeownership market share will increase.
3. Southern markets will lead in home sales growth. "Builders who can adapt to regulatory hurdles in more challenging Western

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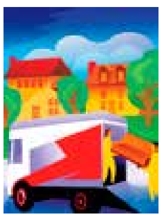
markets will find that prices still outperform national average growth in this region," realtor.com® notes.

4 The passage of the Tax Cuts and Jobs Act means that the wealth and income effects of tax cuts are expected to stimulate demand and increase production in the short term. However, the long-term impact in markets with high property taxes could mean fewer sales.

Consumers Shouldn't Expect to Move This Year



The lack of affordable and buildable lots has hampered housing production, according to a survey released by the National Association of Home Builders. Seventy-nine percent of prospective buyers say they are only able to afford half the homes in their markets. Housing starts in 2017 rose 9 percent over 2016, but the characteristics of new homes remained mostly the same, the NAHB notes.

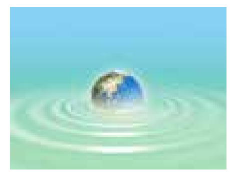
"These potential buyers see a problem with housing availability," says Rose Quint, assistant vice president of survey research for the NAHB.

Sixty-five percent of consumers surveyed say they don't think it will be easier to find a home in their price bracket this year, according to the survey. Homeowners are also staying in their homes longer than they did previously, averaging about 12 to 13 years, says the NAHB.

Homeowners opting to stay in their properties are making improvements. The survey also found mainstream homebuyers are more likely than luxury homebuyers to make compromises and do renovation projects themselves.

Some changes homeowners are making include freshening up paint colors (48 percent), changing flooring (43 percent), and making improvements to kitchen, bathroom, or outdoor spaces, according to separate consumer surveys conducted by Better Homes and Gardens.

Climate Change Could Start Playing a Bigger Role in Real Estate Prices



Storm surge flooding has become a major concern in Miami, which means waterfront properties aren't as desirable as they once were. Instead, high-end buyers are seeking out parts of the city with a higher elevation, such as Little Havana and Little Haiti.

Jesse M. Keenan, an urban development and climate adaptation researcher at Harvard's Graduate School of Design tracked the rate of price appreciation among 250,000 Miami-Dade County homes since 1971. By comparing this data with elevations, he found that properties built on higher ground tend to see their values appreciate faster.

While Keenan says he is unsure if other factors could be responsible for the rising values, he says climate change is likely to become a more significant factor in real estate markets in many coastal U.S. cities. He points out that the correlation between elevations and home prices has become more significant since 2000.

Keenan also believes properties situated at lower elevations deemed to be at high-risk of flooding could experience a sudden drop in value.

"This is real," Keenan told CBS News. "There are actual people spending lots of money thinking about how to make money from climate change. We have to come to terms with this sooner than later."

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Citigroup Says California and New York Homeowners Could See Taxes Increase By As Much as $3,000

Homeowners in high-tax states on the coasts are going to experience the largest increases in their tax bills thanks to the new tax law, according to a Citigroup real estate analyst.

"If you live in New York, Connecticut, or California, you're going to get hurt," said Will Randow on CNBC's "Squawk Box."

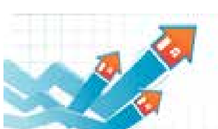
Randow estimates that residents in those states could see their tax bills increase about $3,000 on average.

The reason is the result of a tax code change involving the so-called SALT provision. The new taxing approach caps at $10,000 the deductibility of combined state and local taxes (SALT), including property taxes when filing federal returns.

Previously, there was no limit. To help mitigate the change, the Tax Cuts and Jobs Act almost doubles the standard income tax deduction to $12,000 for individuals and $24,000 for married couples.

However, this won't be enough for many residents of high-tax states to keep their tax bills from increasing. As a result the National Association of Realtors is forecasting home prices to be down 10 percent for California, Randow pointed out.

Higher taxes could also make first-time homebuyers hesitant about buying in these locations, he added.



10 U.S. Cities Where Homeownership Is Increasing

For a significant number of Americans, homeownership remains an elusive dream. Soaring levels of student loan debt, the challenges of saving enough for a down payment, and sky-rocketing housing prices are just a few of the major reasons keeping renters from becoming owners.

The U.S. Census Bureau reported in October that as of the third quarter of 2017 about 63.9 percent of Americans own a home. For those 35 and under, that figure is far smaller, just 35.6 percent.

Homeownership in the United States has continued to decline for several years, having peaked in 2004 at 69.2 percent.

A new report from realtor.com, however, found at least 10 cities around the country where there have been huge increases in home ownership. More than half of the cities named in the report offer median prices under the national median of $274,492.

Here are 10 cities where homeownership is increasing:

1. Milwaukee, Wis.: $224,950 (median home price)
2. Charlotte, N.C.: $327,050
3. Memphis, Tenn.: $195,050
4. Baltimore, Md.: $300,000
5. Allentown, Pa.: $225,000
6. Pittsburgh, Pa.: $174,950
7. Albuquerque, N.M.: $239,950
8. Nashville, Tenn.: $359,050
9. Dallas, Texas: $339,950
10. Syracuse, N.Y.: $149,950

5 Tips for Improving Your Real Estate Sales Blog

Most real estate agents understand the importance ofmaintaining a blog as a way to drive traffic to their websites, to establish authority and more. However, it can be challenging to come up with worthwhile topics. Here are 5 tips for improving your real estate sales blog to help you get better results.

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1 Think Seasonally

Consider themes associated with the current or upcoming season. You can incorporate local information into seasonal posts, such as summer road trip ideas. This shows your brokerage is in touch with what is happening in your clients' lives.

2 Inspire Your Audience

Real estate can be a dry subject to write about. Come up with ways to inspire your audience. Write posts that showcase your location as a place with a lot to offer. Write about the highlights of the local scene and local culture and what visitors or people moving to your area can expect to enjoy.

3 Choose a Clear Focus and a Descriptive Headline

Choose a broad topic and then narrow it down to a specific point or focus. For example, a cross-country move might be a general subject, but then get specific with a discussion of the challenges of a cross-country relocation with kids or pets in tow.

Make sure you use an engaging headline that signals for readers exactly what the blog post is about. Readers do not have the time or patience to decide whether or not they would like to read a post. This is why descriptive headlines pay off in setting the tone for readers —not to mention building website traffic.

Focused headlines also help you avoid topics that are too general. Generalized headlines may cause people to feel they will be overwhelmed with too much information. Or they my think your post is not on point enough for their needs.

4 Don't Stick to One Format

You should experiment with different post formats. While tutorials might work well for one segment of your audience, others might prefer to read hyper-localized content about what makes your city unique. Taking a diverse approach helps readers access material that matters to them and highlights your firm as a business in the know.

5 Build Trust

Instead of thinking about what you like to read, focus on what your readers want to read. People reading your blog are often searching for information they need to buy or sell a home or to make the decision to move. You can gain trust from your audience by helping them feel more confident in your firm's expertise.

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