Real Estate Digest

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TitleSmart, Inc.

April • 2018 Volume 44 • Number 4

With Home Sellers Making Record Profits Why Aren't There More Sellers?

It's a great time to sell a home. According to Attom Data Solutions, sellers profited by an average of $54,000 at the end of 2017. That's a 10-year high and it means sellers brought in an average return on investment of nearly 30 percent. So why aren't more homeowners putting their homes on the market?

A big reason is that selling a home is the easy part. Finding a home to move into? Not so easy.

Especially with the extremely low supply of homes in many cities. This has resulted in higher prices, including bidding wars resulting in prices well above asking. While it's good news for sellers, it is bad news for buyers — and sellers who now become buyers.

"It is fun and exciting to see a huge appreciation in your home," said Allie Howard, a Redfin real estate agent in Seattle. "But what scares [sellers] is not wanting to be stuck in a rental scenario when homes continue to appreciate and they get concerned they will be priced out."

West Coast home sellers have experienced the largest gains, with those in San Jose, California, earning a hefty a 91 percent return on investment at the end of 2017. San Francisco home sellers saw a return of 73 percent.

Seattle is another booming real estate market.

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Homeowner Nicole Rendahl sold her four-bedroom Seattle home for $400,000 more than she paid for it in 2008. She purchased the home for $1,199,000 and just sold it for $1.6 million in November. The sale closed in just seven weeks.

She and her family are now looking to upgrade but they have been unable to find what they want. She hopes to find a place to move into by the end of the summer.

Contributing to the scarcity problem is the lack of new houses being built. Only one million homes are currently hitting the market — well below the historic norm of 1.5 million homes.

The limited choice of new home options means more people are staying put in the first place.

Owners are staying in their homes for a little more than eight years on average — double the rate from 2000 to 2008, when average tenure was four years.

"The longer home ownership tenure is a central piece to why the housing market is behaving as it is where home prices are rising fast and there is an inventory logjam," said Daren Blomquist, senior vice president of communications at Attom.

Historically, the natural progression was for buyers in starter homes to trade up to larger homes after a few years, typically after starting a family. Now they are just staying in their starter home longer. This means fewer starter homes on the market, making it difficult for first-time buyers to break into the market.

"It is a bit of a chicken and egg situation. If builders built more homes, homeowners might move up, but because homeowners aren't moving up, the builders aren't seeing as much demand for new homes," said Blomquist.

As interest rates rise this year the problem is expected to get worse.

How Higher Mortgage Rates Might Impact the US Housing Market

As mortgage rates rise and new tax laws limit mortgage interest deductions, some experts expect downward pressure on home prices.

Mortgage rates are approaching their highest level in four years and are expected to move even higher. The average rate on the popular 30-year fixed is now around 4.50 percent. While this rate is low from a historical standpoint, buyers over the past six years have gotten used to rates in the 3 percent range. Mortgage rates have not been at 5 percent since 2011.

Still, the expectation of reduced demand normally brought about by rising interest rates may not necessarily be in the cards. There are other factors at play, according to Redfin chief economist Nela Richardson.

"Tight credit, lack of inventory and high demand are the major factors that tell us there's no housing bubble, despite rapid price increases," said Richardson. "There are still many more buyers than the current housing supply can support, with no major relief in sight."

Unlike the last housing bubble in the mid-2000s, mortgage lenders today have become more conservative when assessing a borrower's ability to repay their loan. Higher mortgage rates mean that some borrows who are on the margin of qualifying for a loan may not qualify if rates rise

Green Home Construction is Becoming More Main Stream

Green home construction is becoming main stream among single-family and multifam-

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ily home builders, according to the report "Green Multifamily and Single Family Homes 2017 SmartMarket Brief."

The report, conducted by Dodge Data & Analytics together with the National Association of Home Builders, found that at least one-third of builders surveyed say green building accounts for more than 60 percent of their portfolio. That number is expected to increase to nearly one half in both the single-family and multifamily sectors by 2022.

"These findings show that green building has become an established part of the residential construction landscape," says Granger MacDonald, the NAHB's chairman. "It is no longer a niche business; our members recognize the value of building green and are incorporating these elements into their standard business practices."

Builders attribute the growing popularity of green building to greater availability and affordability of green products, appraisers recognizing the higher value of green homes and greater appreciation for the benefits of green homes, including higher resale value and marketability.

Builders also report an increase in demand for net zero homes. Net zero homes produce as much renewable energy as they consume, creating a net zero energy bill and carbon-free home. Twenty-nine percent of single-family home builders say they've built a net zero home in the past two years; 44 percent plan to do so in the next two years.

Homesnap Raises 14 Million for Real Estate Intelligence

Rockville, Maryland-based Homesnap has seen many changes since its days as a consumer-facing app for displaying information about local homes by taking a photo. While the app still currently works this way for prospective buyers, these days the company has shifted its focus towards U.S. real estate agents. Close to 75 percent of agents are reportedly using it.

The platform delivers hard-to-find data that helps real estate agents perform their jobs better — and are willing to pay for it.

In a demonstration of confidence about its new direction, Homesnap has raised $14 million. This brings the total amount raised by the company to $32 million, including prior funding from Revolution, the venture capital firm started by AOL co-founder Steve Case.

Homesnap has registered roughly 400,000 real estate agents who use its services to find out things like how long a home has been on the market and which agents are currently associated with the property. The real draw for agents is real-time MLS listings that make it easier to match buyers and sellers.

"It's become a real hit with the industry," CEO John Mazur told TechCrunch. "We're building a mobile operating system for agents."

Single Homebuyers Can Only Afford 45 Percent of U.S. Housing Stock

It takes the average single homebuyer 11 years to save a 20 percent down payment for a median-priced home, according to a new Zillow analysis. That's more than double the time it takes a married couple.

Also, because of the decreased inventory of starter homes single buyers can only afford 45 percent of the U.S. housing stock. Married or partnered couples with dual incomes can afford 82 percent of all homes.

The disparity between singles and married couples becomes worse in large, high-priced metropolitan areas, such as San Diego, Sacramento, and Portland. Singles do much better in more afford-

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able areas such as Indianapolis, where an average down payment savings time is 7.5 years and 71 percent of the market is within financial reach.

"Nearly two-thirds of Americans agree that buying a home is a central part of living the American Dream, but for unmarried or unpartnered Americans, that dream is increasingly out of reach," said Zillow senior economist Aaron Terrazas.

One positive change for homebuyers is that the 20-percent down payment is now largely a "myth". Today, there are numerous programs available for people who are unable or unwilling to spend that much cash up front.

Luxury Apartment Construction Booming

With the trend for renters to become first time home buyers on the decline because of rising home prices and mortgage rates, you might think it's good news that in 2017 new apartment completions (395,775 units) in the 150 largest U.S. cities were a whopping 46 percent more than in 2016 — double the long-term average — according to RealPage, an apartment management software and data company.

The problem is that luxury, upscale buildings accounted for 75 to 80 percent of that new construction. This means fewer new units at the lower end of the apartment market where affordability is an issue. Nearly half of all renter households pay more than 30 percent of their income for housing — 11 million pay more than 50 percent, according to a report from Harvard's Joint Center for Housing Studies.

Demand remains strong in the luxury apartment market because many tenants rent multiple apartments in different cities or are downsizing from a large home. At the same time, property owners tend to get a better return on investment in the luxury market.

That's beginning to create a problem for renters who can't afford luxury apartments. "While the market has responded to rental housing needs for higher-income households, there are alarming trends that suggest a growing inability to supply housing that is affordable for middle- and working-class renters, let alone those with very low incomes," said Christopher Herbert, managing director of Harvard's Joint Center for Housing Studies.

Top 10 Cities to Buy a Home Big Enough to Raise a Family

Sometimes it is difficult to find a budget friendly home big enough to comfortably fit a growing family. SmartAsset, a personal financial website, looked at the 100 largest cities in the country and used the following data metrics to find the best cities to buy a home big enough to raise a family: the 5-year change in median home values, the 5-year change in median rent costs, average effective property tax rate, the percent of houses with at least two bedrooms, median housing cost as a percent of income, and the percent of homeowners who are housing cost burdened (meaning they spend more than 30% of their income on their mortgages).

These are the top ten cities to buy a home big enough to raise a family:

1 Chandler, Arizona
2 Boise, Idaho
3 Gilbert, Arizona
4 Fremont, California
5 Aurora, Colorado

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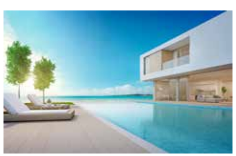
6 Colorado Springs, Colorado
7 Fort Wayne, Indiana
8 Scottsdale, Arizona
9 Plano, Texas
10 Raleigh, North Carolina

Homes in Arizona have appreciated faster than homes almost anywhere else, especially around the Phoenix metro area, where some houses have increased in value by over 40%. However, from a financial standpoint, owning may not always be the best idea in every city. In Cleveland, Milwaukee, Detroit and Cincinnati, home values dropped from 2011 – 2015. Larger cities, such as Los Angeles, Chicago and New York, tend to be full of smaller apartments and ranked in the bottom 20 of the best places to buy a home big enough to raise a family.

U.S. Luxury Real Estate Prices Return to 'Normal'



U.S. luxury markets have reached a "new normal" of subdued price growth after eight years of frenzied appreciation post-recession, according to a report by Coldwell Banker Global Luxury.

Across nearly fifty U.S. markets, signs point to slower, sustainable growth ahead. The report also emphasizes high-end price stabilization that Mansion Global has previously reported in markets that include New York and Los Angeles.

"The luxury real estate market led the general housing market out of the global recession, and during that explosive upswing, we saw some of the largest year-over-year price gains ever," said Diane Hartley, general manager for The Institute for Luxury Home Marketing, Coldwell Banker Luxury's partner in data collection for the report.

"Now we are simply seeing a return to a more typical pricing and sales paradigm—especially for single-family detached properties," Hartley added.

Coldwell Banker and the Institute for Luxury Home Marketing looked at metrics like new listing inventory, list-to-sales-price ratio and days on market to identify market trends.

While wealthy buyers are benefiting from oversupply and negotiability in cities such as Miami, Fla. and Park City, Utah, other U.S. luxury markets have too little inventory to meet demand. Sellers have the advantage in locations such as Silicon Valley, Calif., San Francisco, Calif., Nashville, Tenn. and Denver, Colo., according to the report.

Americans Increasingly Prefer Walkable Communities

According to a recent survey for the National Association of Realtors, 53% of people polled said they wouldn't mind living in neighborhoods with smaller properties if it means they can walk to stores and restaurants. In 2015, only 49% would have been willing to trade square footage for walkability.

The NAR has been conducting this survey, which polled 3,000 Americans in the nation's 50 largest metro areas, for ten years. But this is the first time in the survey's history that the number of people willing to live in a condo, apartment, or townhouse in order to be in a walkable community, has gone over the halfway mark.

"The desire for walkable communities is becoming more deeply rooted," says Hugh Morris, manager of smart growth programs for NAR. Morris also happens to live in a pedestrian-friendly neighborhood in Washington, DC.

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"For me, one of the joys is when I'm walking around and doing errands, I have spontaneous encounters with people I know who live in the neighborhood," Morris says. And his children attend a nearby public school, so their friends are also within walking and biking distance.

Fifty-five percent of survey participants born before 1944 liked the idea of being in a walkable community, while 62% of millennials (born in 1981 or after) felt the same way. Sixty percent of respondents with school-age children still prefer larger homes with big yards, even if that means suburban living and more driving.

But overall, the more walkable a community, the happier residents say they are with their quality of life, the survey found.

How to Humanize Your Real Estate Brand in a Digital World

With all the social media frenzy going on, why does it seem increasingly difficult as a real estate professional to connect with actual people and humanize your brand?

Tami Bonnell, CEO of EXIT Realty Corp. International in the Boston area, and John Lim, CEO of Life in Mobile, a New York–based technology firm, partnered with Chime Technologies to help agents cut through the noise and succeed in a crowded digital space with a new e-book, "Go Behind the Device: Humanizing Digital Marketing for Real Estate."

Here are some suggestions from Bonnell and Lim's e-book on how to humanize your business interactions online.

Pretend it is 100 years ago. Lim builds new marketing campaigns or sales systems as if he were living in 1923, when modern technology did not exist. It forces his team to think about how to deliver an ideal consumer experience and then use technology to scale and enhance the experience.

Consider better timing. Think about when clients are most likely to use their smartphones. Then sync your communications accordingly. Make it easier for them to engage with your brand by pushing out listings in an email or mobile app.

Customize your message. "People want to work with an agent that they know, like, and trust and that relationship can be built up by staying engaged." says Bonnell.

Create videos that have emotional tugs. In order to create a successful marketing campaign, you need to connect with your clients on an emotional level. Tailor your videos to reflect your audience, market, and personal message.

Understand that people's needs have changed. These days, consumers live in an 'I need it now' society.

Demonstrate authenticity. Instead of using stock photos for your brand marketing, use real photos to show your authenticity, build trust, and tell your story.

Put your face on your business. Use your own name instead of your brand or company. When people begin to put a face to your business, it initiates the trust process.

Be consistent. Make sure your messages to the client are congruent across platforms and communicated regularly.

Don't creep them out. Using retargeted ads to follow up with potential clients who viewed your listings can turn them off. Instead, the e-book suggests creating simple branded ads that show up throughout the Google Display Network to increase the visibility of your brand.

Imagine the real estate industry in the future. Virtual reality is transforming real estate, Lim says. He predicts that within the next two years, nearly every real estate photo online will be 360 degrees. "With companies like insidemaps.com making [virtual reality] not only affordable but also easy to manage with your own device, there is no reason why our buyers should still have a two-dimensional experience," Lim says.

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