Real Estate Digest

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TitleSmart, Inc.

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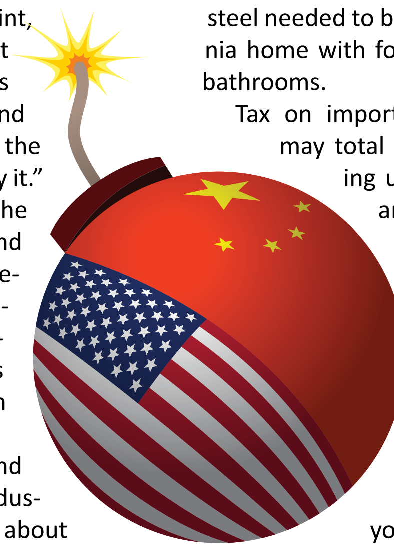
Trump Tariffs Expected to Hit U.S. Home Builders Hard

Due to tariffs imposed by the Trump administration, home builders across the nation have seen significant price increases in lumber, steel, aluminum, and other housing materials.

Tariffs were put in place this spring on a variety of building materials due to the President's stance on international trade. The tariffs have added around $9,000 to the build cost of a new home, based on an average U.S. home price of $285,000.

The luxury housing sector, though not excluded, has felt the pain of the tariffs less than the general housing market.

Jerry Howard, CEO of the National Association of Home Builders, said, "People who are at that end of the market and are buying homes in that price point, they obviously negotiate and get the best pricing they can, but it's really about what they want and their willingness to pay, and so the market doesn't get as affected by it."



Despite a slowdown in the broader housing market, demand for luxury housing is strong. Demand is especially robust in California where international buyers want to diversify their assets and new millionaires in the tech industry look to buy homes.

Dan Dunmoyer, president and CEO of the California Building Industry, revealed the tariffs added about $10,000 to the cost of the lumber and steel needed to build an average California home with four bedrooms and two bathrooms.

Tax on imported lumber and steel may total up to $20,000, bumping up the cost of building an average home by up to 6 percent. However, it increases luxury projects in the state by only 1 or 2 percent.

Dunmoyer said the impact has been minimal on the luxury market and, "If you can write a check for $3.8 million, you can write a

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check for $3.85 million easily."

But tariffs have hit the luxury market when it comes to design details, particularly in multi-family residences. In June, the Trump administration implemented 10 percent tariffs on aluminum and 25 percent tariffs on steel from Mexico, Europe, and Canada. Peggy Marker, president of Marker Construction Group in FL, stated lavish details, like exterior metal siding, have waned.

Marker added, "In the past, where you might have had a lot of decorative metal on the outside of the house, particularly railings or metal screens, that kind of thing, they're changing that to other [materials]." This includes imitation wood, glass, and stone.

As the trade war escalated this year, subcontractors employed by Marker's company reported price estimates for material were only reliable for two weeks, rather than the norm of a couple of months. The changing cost of materials resulted in some undesirable tweaks to design plans late in the building process.

When Trump first imposed tariffs on timber from Canada, softwood lumber prices went up as much as 60 percent year over year. Prices have since fallen though, with lumber prices now up just 23 percent over last year.

The uncertainty around pricing materials complicates the already detailed process of designing a custom home, with no relief in sight. The next interior materials that could be hit with tariffs include marble, quartz, and granite.

David Logan, director of tax and trade policy at the National Association of Home Builders, said, "It covers the entire gamut of residential construction. You really can't think of anything that would be used in construction that does not get touched — hammers, nails, flooring."

Industry experts expect that in view of ongoing efforts to broker a new trade deal with Mexico and Canada, the economic impact on the industry could get worse before it gets better.

10 Cities Account for 33 Percent of Total Value of U.S. Residential Real Estate

A new report from LendingTree reveals one-third of the country's $28.4 trillion in residential real estate value is located in 10 American cities. New York comes in at number one, where the value of all real estate is equal to the gross domestic product of France.

Other cities that ranked in the top ten include Los Angeles, Miami, and Chicago. The report ranked 50 cities throughout the country by overall residential value alongside the gross domestic product of comparable nations worldwide.

New York has a total residential real estate value of $2.55 trillion with Los Angeles at $2.18 trillion, the equivalent to the GDP in Brazil. However, the median house value in L.A. is $622,000, as compared to $454,000 in New York.

San Francisco follows with $1.25 trillion in value, with California the only state with more than one city in the top ten.

Home values across U.S. metropolitan cities are continuing to soar. As a result, home buyers are faced with the choice of looking in areas that could be further from their workplace. Others are spending a more significant share of their income on a home. Some first-time homebuyers need almost 23 percent of their income to afford a house.

July Foreclosure Starts Up in 44 Percent of U.S. Real Estate Markets

ATTOM Data Solutions recently released its July 2018 U.S. Foreclosure Market Report, revealing foreclosure starts increased from a year ago in 44 percent of the metropolitan statistical areas analyzed in the report.

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In July, a total of 30,187 properties started the foreclosure process for the first time. This total is up one percent from last month and less than one percent from last year.

A total of 21 states posted a year-over-year increase in the start of foreclosures in July. Florida was up by 35 percent, while Texas and Illinois went up 7 percent.

Metropolitan areas that showed an increase in foreclosure starts in July included Houston, Los Angeles, Miami, Philadelphia, and San Francisco.

Daren Blomquist, senior vice president with ATTOM Data Solutions, said, "The increase in foreclosure starts is not just a one-month anomaly in many local markets given that July represented the third consecutive month with a year-over-year increase in 33 metro areas."

He added, "Gradually loosening lending standards over the past few years have introduced a modicum of risk back into the housing market, and that additional risk is resulting in rising foreclosure starts in a diverse set of markets across the country. Most susceptible to rising foreclosure starts are affordability-challenged markets where homebuyers are more financially stretched and markets with some type of trigger event such as a natural disaster or large-scale layoffs."

Home Builder Confidence Remains Steady in September

In September, the National Association of Home Builders/Wells Fargo Housing Market Index (HMI) revealed the market for newly built single-family homes remained at 67. This unchanged figure reflects steady homebuilder confidence in September.

Randy Noel, NAHB Chairman and a custom home builder from LA, said, "Despite rising affordability concerns, builders continue to report firm demand for housing, especially as millennials and other newcomers enter the market."

Noel continued, "The recent decline in lumber prices from record-high levels earlier this summer is also a welcome relief, although builders still need to manage construction costs to keep homes competitively priced."

According to NAHB Chief Economist Robert Dietz, the growing economy and rising incomes along with increasing housing formations mean demand should increase for new single-family homes.

Dietz said, "However, housing affordability is becoming a challenge, as builders face overly burdensome regulations and rising material costs exacerbated by an escalating trade skirmish." He added interest rates are forecasted to keep soaring.

The HMI index measuring current sales conditions went up one point to 74. Gauging expectations for the upcoming six months rose two points to 74. Buyer traffic remains steady at 49.

A look at three-month moving averages for regional HMI scores show the South was unchanged at 90, the West went down one point to 73, the Midwest fell three points to 59, and the Northeast went up one point to 54.

Housing Market Warms Up to Buyers

For many months now, it has been a seller's market with low supplies and rising prices. But the trend could be reversing.

First American Chief Economist Mark Fleming and Senior Economist Odeta Kushi conducted an analysis of the housing market and found housing inventories have increased moderately since December 2017, the marking point of a 25-year low.

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In December, just 166 homes of 10,000 were for sale. By July of this year, the number went up to 174 per 10,000. Fleming said, “While this is still very low, it’s the first time we’ve reached this level since July 2017 and a slight improvement from December’s 25-year-low point.”

The inventory of homes worth less than $200,000 was down 15.6 percent versus a year ago. However, the supply of homes priced over $350,000 increased 5.7 percent, per realtor.com data.

Fleming and Kushi encouraged potential homeowners to “take heart” from the recent inventory increase and the slowdown in price appreciation. Both are good news for people who want to purchase a home.

According to Fleming, “These factors indicate that the seller’s market may be coming to an end. It’s been six years since the end of the last one, but the rare buyer’s market may be the housing market’s future.”

Mortgage Rates Reach 6-Week High

Upbeat economic data and a bulging deficit led to a yield-lifting sell-off of bonds. Questions gripped the housing market as rates for home loans soared to a six-week high.

During the week of Sept. 13, the 30-year fixed rate mortgage averaged 4.60 percent, per the Freddie Mac weekly survey. It was the third straight weekly gain. The 15-year fixed-rate mortgage rose to 4.06 percent from 3.99 percent.

Mortgage rates follow the 10-year U.S. Treasury note, which jumped due to signs of wage growth, which signals faster inflation. A report from the Congressional Budget Office indicated the deficit widened, meaning a greater supply of government bonds would be needed.

After a slow summer selling season, the housing market is stuck. Potential home buyers are choosing to rent instead of competing for the scarce, over-priced homes to buy.

Exclusionary zones are thought to be one of the most significant hurdles facing the stagnant housing market. An exclusionary zone consists of influential people in a community who attempt to make it difficult for newcomers to enter by, for example, limiting the number or type of homes that can be built.

Often these efforts are called, “Not in My Backyard.” They occur at the expense of people who can’t play by the same rules, such as low-income people and those of color.

In August, the Department of Housing and Urban Development said it wanted to streamline and enhance rules on desegregation and revamp the “Affirmatively Furthering Fair Housing” rule.

Most Property Markets in the U.S. Have Recovered From Housing Crash

Now a decade after the housing crash, the residential property market has recovered. However, millions of homeowners continue to wait to regain the value lost in their homes.

The median home value nationwide is now 8.7 percent higher than it was at the height of the housing bubble. According to the real estate firm Zillow, 21 of the top 35 metropolitan areas have more than recovered from the bust.

Denver and San Jose lead the recovery with substantial gains. Areas that have been the slowest to recover include Chicago, Las Vegas, and Orlando.

Currently, San Jose is the most expensive metro in the country with a median home value of $1.29 million, which is more than double its post-crash low. Denver has reached a 66 percent increase

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from the bubble's peak.

On the other side, Las Vegas homes are 16 percent under their pre-bust median value, while Chicago and Orlando home values are almost 14 percent below.

After the collapse of Lehman Brothers in 2008, home values across the country plummeted 17 percent by the end of 2011. One-third of homeowners were underwater in their mortgages, and millions lost their residences to foreclosure.

Zillow senior executive, Aaron Terrazas, said, "A decade after the financial crisis it's clear that, just as the bust was felt very differently across the country, so has the recovery. Looking back, the housing bust was a rare historical moment when housing markets across the country moved in sync."

Toll Brothers Reports Strong Demand for Homes Across the Country

Toll Brothers (TOL), a luxury home builder, revealed the demand for its houses was strong across the country. Last quarter, the company executed a record number of contracts.

The company's reported quarterly financial results topped forecasts and boosted its outlook for 2018. Toll Brothers cited a backlog of new homes for the third quarter.

Prospective buyers are not deterred by higher rates, mostly because housing prices are soaring and the job market remains strong.

The average price of a Toll Brothers home in the most recent quarter was $851,900. A year ago, the average price was $791,400. Anticipated prices for the current quarter will range from $840,000 to $870,000. California was the only weak spot, as demand went down slightly.

Robert Toll, Toll Brothers executive chairman, said the company believes the new home market will keep growing in the upcoming years, and people are likely to cash in on the rising value of their homes and trade up.

Groups expected to fuel the demand for new homes in the years ahead include empty nesters and homeowners looking for larger houses and millennial buyers.

The recent home builder stock slump might have been an overreaction. While investors thought rate hikes would weaken the demand for homes, it has not happened yet.

Vacation Rental Buyers Look for Profits Over Pleasure

Research from Savills and HomeAway reveals home buyers are now prioritizing rental income over personal use of vacation properties.

The survey was conducted early this year among 4,300 property owners who list their properties on HomeAway sites around the globe.

As global tourism continues to grow, with international tourist arrivals up seven percent last year, online vacation home platforms such as HomeAway open up the market for new target groups. As a result, owners can make their properties income-producing.

In the early 1970s, nine out of ten homeowners kept their vacation homes to themselves, and this trend continued for about three decades. In 2000, eight of 10 homeowners did not rent their properties to travelers.

Over the past decade, the number of vacation property homeowners who rent to travelers has grown to two-thirds of second homeowners. Many of them rent their vacation properties to cover

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ownership costs.

Paul Tostevin, Savills world research Associate Director, said in the report, "In a low-interest rate environment, investors are seeking out income generating assets."

Tostevin added, "Today's second home buyers want properties to work for them financially, and they are increasingly looking not just to cover costs but to turn a profit."

How to Create Real Estate Signs That Sell

Signs are one of the most effective marketing tools in a real estate agent's arsenal. Real estate signs express something about the agent and their residential or commercial real property business.

Here are some tips on how to create real estate signs that raise awareness, start conversations, and help agents sell real estate.

Real Estate Sign Styles

Much like businesses and properties, real estate signs come in a variety of typical styles including:

- Frame signs constructed of metal frames enclosing the sign, with single and double rider options;
- Light weight H-frame signs with an H-shaped wire frame suitable for temporary signs;
- Colonial post signs that use a sturdy, inverted L frame made from wood with a sign suspended from it, an ideal choice for residential properties for sale;
- A-frame signs that are portable with a "sandwich board" style to draw attention to events such as open houses;
- Feather flags made from a tall, flexible frame with a narrow fabric flag that flutters in the breeze to attract attention; and
- Vinyl window clings that have a non-adhesive film that sticks to window glass, making them an excellent choice for commercial buildings with large glass windows.

Branding the Business

Every real estate sign should bear the company's color logo to make it memorable to consumers. You want people to instantly recognize your business by the colors and logo. Build trust and familiarity with a consistent visual presence on all signage.

Signs must be created per the state's legal requirements, and include information such as the name of the company and broker, and more. Check your state department of business and professional regulation for details.

Reading the Sign

To ensure everyone can read your sign from a distance or a moving car, use popular easy-to-read fonts. Viable options include Verdana, Trajan, Futura, Helvetica, and Garamond.

Readability and elegance is enhanced by using plenty of white space. Mark Winter of IdentityPR says, "The empty space surrounding text and graphics is just as important as other design considerations.

There is a tendency to want to "fill up" the available area with as much copy as possible. But when text is crowded, it's harder to read. Thirty to forty percent of the sign's face area should be left as white space for optimal readability."

Color Choices Matter

Smart color choices make a sign stand out from the crowd. Use contrasting colors to your brand color. The most prominent color should be your brand color, then add visually pleasing combinations.

Real estate signs are a powerful advertising tool. The right signage can boost your business brand and generate more leads.

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