

Real Estate Digest

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Real Estate Trends to Watch for in 2020

A new forecast from Realtor.com predicts an uncertain year for U.S. housing markets as changing economic and political conditions impact the country. The U.S. housing market will continue to slow in 2020 as housing inventory declines to historic lows and economic uncertainty causes consumers to reduce their spending even further, according to the Realtor.com 2020 housing forecast.

The housing forecast predicts that new construction, steady home prices, and relatively low interest rates will help the U.S. housing market. However, first-time homebuyers will continue to struggle with affordability. Sellers can expect to see flattening price growth and slowing buyer activity.

These trends are expected to push home sales down 1.8 percent to 5.23 million for the year.

Homebuyer Predictions for 2020

For buyers, 2020 is expected to yield mixed results. Some homebuyers will be able to benefit from the supply of new construction, steady interest rates, and flat home prices. However, the new construction of homes in 2019 was mostly limited to the upper-tier of the housing market.

As a result of the lack of new construction in the entry-level market, first-time homebuyers will experience the greatest negative impacts as the total number of homes available for sale will decline to a record low.



Homeseller Predictions for 2020

For sellers, this year will be marked by stagnant price growth and declining seller activity. This means some sellers may have to be more patient and rethink their approach to pricing. However, entry-level home sellers can expect robust competition from buyers for their homes and solid prices.

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The upper-tier of the housing market will remain soft, with homes sitting on the market for longer. Sellers in the upper-tier of the market will need to offer greater incentives to buyers in order to close deals.

Buyers Seek Out Secondary Housing Markets

In addition to the country's largest metros, buyers will be increasingly priced out of nearby suburbs as well. This will give rise to a trend of buyers looking to purchase homes in secondary markets in other states or other metros. Home sellers from more expensive metros will find the options for relocating to smaller metros more attractive.

U.S. Elections Bring Economic Uncertainty

The presidential election, along with U.S. Senate and House of Representatives races, will mean a potential for significant changes in the political climate. This will affect consumers and businesses. While these elections are not closely tied to the performance of U.S. housing markets, consumers and businesses will watch them closely. As a result, the elections are expected to impact business optimism and investments.

The Top 5 Most Expensive U.S. ZIP Codes for Housing in 2019

A new study conducted by real estate website PropertyShark analyzed property data from their website in order to compile a list of the 100 most expensive zip codes in the country.

Researchers analyzed sales data from January 1 through November 5 for condominiums, co-ops, single- and two-family homes to determine the median home prices in ZIP codes with at least three residential real estate sales transactions. The data was then com-

piled into a list of the top 100 priciest neighborhoods according to rank, location, ZIP code and median home sale price during the period studied.

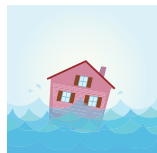
There were 91 California ZIP codes that made the top 100 list, with San Francisco's Bay area accounting for more than half of the pricey California housing markets. There were also ties between some ZIP codes which meant that 125 areas actually made the top 100 list, said the researchers in a blog post about the study.

Only nine states other than New York and California made the list. These states included Arizona, Florida, Connecticut, Maryland, Nevada, New Jersey and Washington.

Here are the five most expensive ZIP codes in the U.S. (with prices rounded to the nearest \$10,000):

- 1 Atherton, California (94027)**
\$7.05 million
- 2 Sagaponack, New York (11962)**
\$4.3 million
- 3 Santa Monica, California (90402)**
\$4.15 million
- 4 Beverly Hills, California (90210)**
\$4.08 million
- 5 New York (10007) \$3.9 million**

\$1 Spent Buying Flood Lands Could Save \$5 in Future Damages



Nature Conservancy and others are studying the concept of buying up lands prone to flooding to forestall commercial development and eventual claim payouts due to flooding. "Every \$1 spent buying flood lands could save \$5 dollars in future flood damage losses,"



says a new report by The Nature Conservancy, the University of Bristol (United Kingdom) and flood analytics company Fathom.

Published in the journal *Nature Sustainability* on Dec. 9, the study identifies more than 104,000 square miles — an area roughly the size of Colorado — in “100-year” floodplains where conservation would be an economically sound way to avoid future flood damages.

“For just over 21,000 square miles of this area, the benefits are at least five times the cost, meaning that a dollar invested in floodplain protection today returns at least \$5 in savings from avoided flood damages in the future,” said Kris Johnson, deputy director of agriculture for North America for The Nature Conservancy and co-author of the paper. “Not only would investing now to conserve undeveloped lands in floodplains likely save tens of billions of dollars in avoided flood damages, but protecting these lands would also provide a host of additional benefits for habitat, wildlife, water quality and recreation, further strengthening the economic rationale for floodplain conservation,” she said.

In addition, while the conservation of undeveloped, flood-prone areas would be broadly effective across the nation, it is likely to be particularly beneficial in the Southwest, the eastern Great Lakes, the Appalachians, and areas where population growth is anticipated in areas at risk of flooding, according to Oliver Wing, a flood risk scientist and researcher at the University of Bristol and another co-author of the study.

Cost to Buy Lots Higher for Real Estate Developers, Finds Study



A new analysis, conducted by researchers at the National Association of Home Builders, examined U.S. Census Bureau data and found the median price of a single-family lot of land increased by 4.4 percent

in 2018, which was higher than the 2.4 average rate of inflation for that year.

Furthermore, the study uncovered that the median-sale price for lots nationwide was at or above \$49,500. While the figure is a nominal national record, when it is adjusted for inflation, it indicates that lot prices were higher during the housing boom before the Great Recession.

The researchers also found that lot prices have increased significantly in certain areas of the country that were once considered affordable housing markets. The areas of the country with the greatest increases in lot values were in the West South Central region, which includes Arkansas, Oklahoma, Texas, and Louisiana. In markets in these states, half of single-family lots are now valued at or above \$62,000.

New England accounted for the highest lot values overall. There, half of all lots in 2018 sold for \$140,000 or more. The Pacific region accounted for the second-highest median lot value at \$87,000.

The study also noted the main reasons for rising lot prices: a shortage of viable lots for sale, as well as, tougher regulations that have increased development costs.

Down Payment Assistance May Not Make Mortgage Defaults More Likely



Homebuyers who receive financial assistance with a down payment are not more likely to default on their mortgage, finds a new study.

A new working paper prepared for the Center for Household Financial Stability at the Federal Reserve Bank of St. Louis analyzed the performance of loans made with various forms of down-payment assistance.



As home prices rose across the country in recent years, down-payment assistance became more popular among first-time homebuyers.

Currently there are over 2,000 private- and government-sponsored programs that provide down-payment assistance to U.S. homebuyers. The share of FHA loans that involved some form of down-payment assistance has also risen from 30 percent in 2011 to roughly 40 percent in 2018.

In its 2018 report on the FHA Mutual Mortgage Insurance Fund, the Department of Housing and Urban Development noted that, “those with such assistance financed by self-identified governmental entities have higher rates of default than those with other forms of DPA.”

However, when the researchers controlled for the race or ethnicity of the borrower in this new study, they found that DPA programs did not in fact increase the likelihood of a default. In addition, the researchers also found that down-payment assistance also did not negatively impact how much wealth homeowners were able to accumulate via home price appreciation.

Homeowners Enjoy Greater Financial Well-being, Says New Study



While homeowners have the opportunity to build equity and personal wealth, they must also contend with the hassles and costs of home maintenance, property taxes and insurance.

Despite these drawbacks, a new report reinforces what experts have known for some time: buying and owning a home is much better than renting.

The 2019 Bank of America Homebuyer Insights Reports revealed that 93 percent of Americans are happy about becoming

homeowners and 83 percent do not want to return to renting. In addition, more than 88 percent of respondents believe buying a property is the best decision of their lives. Roughly eight in 10 respondents reported that owning a home has changed their lives for the better.

In fact, 77 percent of homeowners versus just 42 percent of renters reported a high-level of satisfaction with their financial well-being. Furthermore, homeowners have fewer variable costs to worry about in comparison to renters, which could account for why they reported a higher-level of satisfaction.

“With a home, the only two main things that increase when you have a fixed-rate mortgage are the property taxes and costs of maintenance and improvement,” noted Aaron Marshall, CEO/co-founder of Keyrenter Property Management in Midvale, Utah.

iBuyers Pay Close to Market Rates for Homes



Companies that use technology to make cash offers to home sellers, known as iBuyers, typically offer their customers close to market value for their homes, according to a new study. The study’s findings may help quell concerns that home sellers and industry experts have about using iBuyers to sell homes.

The new study confirms that the average “discount to market value” is just 1.3 percent or around \$3,800. Mike DelPrete, a scholar in residence on real-estate technology at the University of Colorado at Boulder, and the author of the study, says this proves that iBuyers actually make fair offers on the homes they buy.

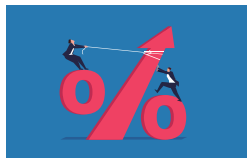
In this study, DelPrete analyzed over 20,000 transactions made by Opendoor and Zillow, the two iBuyers that reported the highest number of real estate transactions in 2018 and 2019.

While home sellers do not necessarily lose out when it comes



to sale price, DelPrete warns that home sellers need to be aware of additional costs and fees. Homeowners may have to pay for repairs before they can sell to an iBuyer. iBuyers also charge commissions fees that may be a percentage point higher than using a real estate agent, he said.

Real Estate Agents Are Less Than Forthcoming About Their Commissions



In an analysis conducted by Consumer Federation of America, an advocacy group, researchers reported that real estate commission fees are generally shrouded in secrecy. While consumers can easily access informa-

tion about prices for most major consumer services, this is not the case with real estate commissions, notes the report.

The analysis made this determination after looking at over 260 agent and brokerage websites as well as published research on the topic. The analysis also factored in a national survey of 2,000 consumers and conversations with 200 agents in 20 cities.

The study found that the majority of large brokerage firms do not publish commission fees on their websites. Out of the more than 260 sites analyzed in the study, only 11 websites provided any information about fees. The researchers were also unable to obtain this information by contacting the firms and agents directly, the report shows.

"Anytime that there's less transparency around prices, consumers don't have the ability to shop around and that leads to less competition," says Daryl Fairweather, chief economist at real estate brokerage Redfin.

These 5 Real Estate Markets Are Expected to Lose Value in the Next Decade



New data from Zillow shows that some U.S. housing markets are cooling off with some homes expected to lose value in the next decade. However, it is not a cause for panic given the cyclical nature of the real estate market, says consumer-trends expert Beatrice de Jong of Opendoor. These housing markets are just not likely to grow as fast as others.

Some of the markets that made the list were former hot real-estate markets that are now cooling off. The changes also reflect how people are modifying how they work, live, and spend.

Here are the 5 U.S. real estate markets that are forecasted to see the highest year-over-year declines in home values:

5 Charleston Meadow, Palo Alto, Calif.

Although the median home value is over \$2 million here, Charleston Meadow is experiencing declines in home values. Current median home value: \$2,245,300. Year-over-year forecast value drop: 6.47 percent

4 Oceanfront, Miami Beach, Fla.

Miami Beach homes in this neighborhood are starting to experience price declines as a result of the threat of sea level rise. Current median home value: \$406,200. Year-over-year forecast value drop: 6.64 percent

3 La Gorce, Miami Beach, Fla.

This is another Miami Beach neighborhood where rising waters are expected to threaten the community over the next decade. Current median home value: \$1,870,700. Year-over-year forecast value drop: 6.66 percent

2 Noe Valley, San Francisco, Calif.

San Francisco home values are always changing. However,



prices are expected to drop in this neighborhood for now. Current median home value: \$1,839,300. Year-over-year forecast value drop: 6.7 percent

1 North College Park, Seattle, Wash.

The homes in this northern Seattle neighborhood are losing value at the fastest pace in the nation. The changes in home values are due to hyper-local trends as neighborhoods farther south in the Puget Sound housing market heat up. Current median home value: \$599,100. Year-over-year forecast value drop: 6.98 percent

Real Estate Agents: 3 Tips for Working With iBuyers



For home sellers, the iBuying real estate model is designed to be a convenient and guaranteed option to obtaining all-cash offers without sellers having to list their homes. While some agents may see iBuyers as a threat, other savvy agents are capitalizing on this trend.

Here are 3 tips for working with iBuyers that all real estate agents should know about.

1 Learn When iBuyers Can Benefit Your Client. iBuyers are not always the right option for a seller. However, in the following scenarios they may be the right fit:

- ✱ Sellers who need to move fast
- ✱ Contingent buyers who want to be competitive in a hot real estate market so they do not miss out on a buying opportunity
- ✱ Sellers who need a certain sale without risk
- ✱ Sellers who want to avoid the hassle of the process
- ✱ Sellers who want to obtain a third-party opinion on the value of their home for free.

2 Use iBuyers to Increase Your Offerings. Clients have a variety of reasons for wanting to work with an agent. For example, they may need full-service guidance, help with negotiations or simply local expertise. Use an iBuyer to help you offer services in areas your business could use some assistance.

Here are some creative ways to leverage the services of an iBuyer in your business:

- ✱ Obtain an offer for your seller and then negotiate the commission between you and your client
- ✱ Refer a seller that is currently unrepresented and earn a commission from the iBuyer's referral program
- ✱ Represent a buyer on a home that is currently listed with the iBuyer
- ✱ Partner with the iBuyer to find new referrals for your agency.

3 Use iBuyer Offers As a Starting Point for Negotiating. Many sellers have a number in mind and if you obtain an offer from an iBuyer you will be able to provide a price anchor that is much more concrete than a simple estimate.

As a local neighborhood expert, you may also feel that you can do a better job of helping a seller get more money or save on fees. You can suggest the iBuyer offer as an alternative or use it as a starting point for negotiating with potential homebuyers.

In real estate the human touch will always be important. Working with iBuyers just opens up another avenue for you to deliver better service to your clients. By leveraging the technology of iBuyers in your real estate business, you can stay on top of the trends and increase the competitiveness of your offerings as an agent.



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that make the
BIG difference!™



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