

Real Estate Digest

Serving Leading Lenders and Real Estate Professionals

Contact us to schedule your next closing

closing@title-smart.com

Office: 651-779-3075 • Fax: 651-779-3066



February • 2020

Volume 46 • Number 2

Boomers Expected to Put Millions of Homes on the Market in Coming Decades

Baby Boomers, the second largest generation behind the millennials, have already started aging into retirement. In the coming years, a flood of homes that are currently owner-occupied are expected to hit the market. The phenomenon, coined the Silver Tsunami, could help ease the inventory drought that has plagued the U.S. housing market in recent years.

The Silver Tsunami could also help to ease the pressure on home builders for new home construction which has been depressed for some time due to the high cost of construction materials and other difficult-to-overcome challenges.

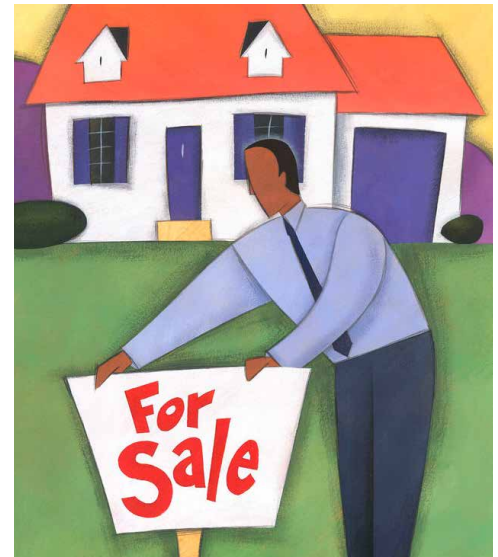
Currently 33.9 percent of owner-occupied U.S. homes are owned by residents

aged 60 or older. Residents aged 50 or older own 55.2 percent of U.S. homes. Collectively as these households age and these residents begin to move, the Silver Tsunami could flood the market with more than 20 million homes through the mid-2030s.

While the number of homes is significant, they are not expected to hit the market all at once. Furthermore, some markets will feel the effects more so than others.

The Silver Tsunami Will Define the 2020s and 2030s

An estimate based on mortality data suggests the Silver Tsunami will grow as the number of seniors 60 and older pass away each year in the 2020s and 2030s. An alternate estimate suggests that homes released



continued on next page



by 2027 will comprise about 12 percent of today's owner-occupied housing, and that by 2037 that share will more than double to 27.4 percent.

Retirement Hubs and Rust Belt Cities Will See Major Impacts

The places most likely to be affected by the coming sell-off are retirement hubs and regions where young residents have moved away. Cities in Southern states such as Miami, Orlando, Tampa, and Tucson, have populations that tend to skew toward age 50 and older. The same effect is present in Rust Belt cities and regions where young people have left including Cleveland, Dayton, Knoxville, and Pittsburgh. The effect will vary in different areas within cities as well.

The places least likely to be affected are cities with vibrant economies, fast growth, and affordable housing, such as Atlanta, Austin, Dallas, and Houston.

Small, Long-Exclusive Enclaves Will See Rapid Turnover

In some metros that are already pricey and have relatively exclusive enclaves, the impact will be far less noticeable. Areas like the Upper East Side in Manhattan and the Lafayette-Orinda-Walnut Creek area east of San Francisco are more affluent and expensive than most surroundings areas and less likely to be affordable to young people.

Silver Tsunami as Substitute for New Home Construction

Fortunately, the Silver Tsunami will add net supply to the market in a similar manner to new construction, because home builders still face challenges. Analysts predict that home builders will continue to face construction labor issues and difficulties adding to capital. The construction industry may also need to place greater focus on updating existing homes in addition to building new ones.

10 Hidden Gem Markets Where Homebuyers Can Find Deals



Realtor.com conducted a study and identified ten hidden gem markets where homebuyers can score a good deal on a home and find a well-paying job — all without losing amenities.

Realtor.com's team looked at the following:

- ✓ The number of days on the market
- ✓ Median home prices less than the national median of \$310,000
- ✓ Unemployment rates below the nation's average of 3.6 percent
- ✓ A large number of restaurants and bars listed on Yelp

Here are the top ten hidden gem cities:

- 1 Cape Coral, Fla.**
Median home list price: \$299,950
Median days on market: 87
- 2 El Paso, Texas**
Median home list price: \$187,725
Median days on market: 76.25
- 3 Albany, N.Y.**
Median home list price: \$294,950
Median days on market: 74.5
- 4 Augusta, Ga.**
Median home list price: \$224,285.5
Median days on market: 73.5
- 5 Des Moines, Iowa**
Median home list price: \$292,550
Median days on market: 72

**6 Baton Rouge, La.**

Median home list price: \$247,446

Median days on market: 70.5

7 Columbia, S.C.

Median home list Price: \$239,950

Median days on market: 64

8 Pittsburgh, Pa.

Median home list price: \$189,750

Median days on market: 62

9 Knoxville, Tenn.

Median home list price: \$284,425

Median days on market: 61

10 New Haven, Conn.

Median home list price: \$279,050

Median days on market: 58

Record Numbers Now Look for New Homes in January



An analysis of average monthly views per listing on Realtor.com from 2015-2019 found that home buyers are no longer waiting until spring to begin their search. In 2015, April was the peak month for average views per listing on

the site. At the time, January views on the site were much lower at 16 percent less than April views.

By the end of the study's period in 2019, average monthly views per listing for January was the highest for the year in 20 of the 100 largest metro areas. In 2018, this was true for only three of the top 100 metros.

"As shoppers modify their strategies for navigating a housing market that has become more competitive due to rising prices and

low inventory, the search for a home is beginning earlier and earlier," said realtor.com® Senior Economist George Ratiu. "With housing inventory across the U.S. expected to reach record lows in 2020, we expect to see this trend continue into the new year."

January's rise as the most popular month for starting the home search does not mean other spring months are now less competitive. In fact, Realtor.com data shows the exact opposite with strong competition for the entire season. Competition starts high in January and remains high as the average views per listing ramp up into the spring months.

Average Age of U.S. Homeowner Is 55, Study Finds



A new study from LendingTree found the average age of the U.S. homeowner is 55 after analyzing age data on homeowners across the country's 50 largest metros. There were no metros recorded in the study where the average homeowner age was less than 50.

Florida is home to the two metros with the oldest homeowners with Miami and Tampa having an average homeowner age of nearly 60. San Diego, Calif., Los Angeles, Calif. and New York, N.Y. were the other three cities that made the top five for the oldest homeowner age. In these three cities, the average homeowner age is 57.

The metros with the youngest homeowners are not located on the East or West Coasts, but instead are spread throughout the country. Salt Lake City, Utah, Austin, Texas, Raleigh, N.C., Minneapolis, Minn., and Denver, Colo. have the youngest average homeowner age. Homeowners in these cities have an average age that is closer to 53 years old. Overall, the study's findings suggest that as homeowners get older, home prices and incomes appear to grow more slowly.



71 Percent of U.S. Homes Unaffordable for Average Family



As the decade-long economic boom continues in 2020, affording a home is not expected to become easier for the majority of first-time homebuyers in America, according to recent reports.

In 71 percent of the country, average wage earners cannot afford to buy a home. The findings are from a fourth-quarter 2019 real estate analysis conducted by Attom Data Solutions. Despite the staggering figure, it represents a slight improvement from the third quarter (73 percent) and 75 percent one year ago.

The modest 2 percent improvement was the result of lower mortgage rates.

The national median home price is \$257,000 and a potential homebuyer would need to earn a gross income of \$67,647 in order to afford one. However, the average annual wage in the U.S. was \$58,214, notes the report.

Real Estate Commissions Not Usually Negotiable



In a new report from the Consumer Federation of America (CFA), researchers found that 73 percent of real estate agents said they would not lower their standard rate.

On average, Realtors charge 6 percent commission on the sale price of a home, according to the analysis. The commission is typically split between the Realtor who sold the home and the agent who brought the buyer to the deal.

Commission fees can be fairly hefty for sellers. On a \$300,000 home, a real estate agent's commission could be around \$18,000. CFA estimates that consumers pay roughly \$100 billion in annual home sale commissions.

Despite the costs, the CFA also found that most Americans do not really understand why they pay commission fees. More than half of Americans who bought or sold a home in the last five years were unable to guess the average commission that Realtors earn. Roughly 20 percent thought it was less than 6 percent while 40 percent thought it was more.

"We just need a lot more light on the subject of broker compensation," Brobeck says. It's not just the industry that's to blame — consumers need to become better aware as well."

Technology Will Define Real Estate in 20s



A transformation is coming in real estate, according to financial services firm Oak HC/FT. Over the next decade, there will be significant innovations within the industry as real estate tech companies grow in value, said Allen Miller, a principal at Oak HC/FT, in an interview with TechCrunch.

"Technology has accelerated the rate of progress within the real estate vertical. New entrants have succeeded by bringing a fresh take to the category and/or creating entirely new categories," says Miller.

In recent years, real estate sites like Zillow delivered transparency to the real estate process. However, much of it still remains convoluted and expensive for the average homebuyer and seller. In the coming years, Miller predicts that iBuyers, such as Opendoor and Offerpad, will begin to offer specialized solutions to the different segments of the residential real estate market that will drive down agent commissions.

There will also be better tools for agents and other service providers to assist agents. Next generation real estate tools will deliver everything providers need in marketing, legal, vendor management, insurance, transaction coordination, and more. This will allow providers to run their own businesses instead of relying on brokerages that charge hefty fees.



Real estate technology will also benefit thanks to increased access to data for decision making. The use of machine learning in developing key asset-level and financial data will bring new transparency to real estate.

USMCA Trade Deal Could Help Ease Housing Shortage



The recent U.S.-Mexico-Canada Agreement (USMCA) passed by the House of Representatives will help ease the current housing shortage by stabilizing the prices of building materials, according to the National Association of Home Builders.

“The U.S. residential construction and remodeling industries rely on tens of billions of dollars in building materials sourced from Mexico and Canada annually because America cannot produce enough steel, aluminum and other materials and equipment to meet the needs of the domestic housing industry,” NAHB said in a statement.

The U.S. housing market is currently faced with an inventory shortage that has negatively impacted sales. In November, U.S. existing-home sales declined 1.7 percent according to the National Association of Realtors even as mortgage rates hovered around three-year lows. While some supply shortages could be attributed to the fact that Baby Boomers are aging in place and not moving, NAR Chief Economist Lawrence Yun says that it is also the result of depressed home building levels.

The current decline in home sales is mostly caused by the severe inventory shortage of homes at the lowest price point, added Yun. Trade-up buyers who most often buy new homes and release entry-level home inventory to the market are not making those purchases.

10 Hottest U.S. Housing Markets for 2020



Surprisingly, this year’s hot housing markets are not the country’s largest and most competitive coastal markets. Instead, they are located in second- and third-tier cities that boast a lower cost of living and attractive amenities.

“There is a noticeable migration away from big cities as these smaller cities look very different today because of all they now offer, especially for millennials,” says George Ratiu, senior economist at Realtor.com.

This data is in sharp contrast to 2019’s list of hottest U.S. real estate markets in which four of the top ten markets were located on the coast or nearby. Most of the markets on this year’s list are located inland. They have strong local economies, job growth, and more importantly, home prices that are affordable to first-time homebuyers.

Realtor.com predicts home sales in these top ten markets will rise by 2.4 percent and home prices will rise by 3.1 percent on average year-over-year. These figures are in contrast to the 1.8 percent decline in home sales and 0.8 percent increase in sales prices predicted nationwide.

Here are the ten hottest U.S. housing markets for 2020:

- 1 Boise, Idaho
- 2 McAllen-Edinburg-Mission, Texas
- 3 Tucson, Ariz.
- 4 Chattanooga, Tenn.
- 5 Columbia, S.C.
- 6 Rochester, N.Y.
- 7 Colorado Springs, Colo.
- 8 Winston-Salem, N.C.
- 9 Charleston-North Charleston, S.C.
- 10 Memphis, Tenn.



How Real Estate Agents Can Succeed in 2020



A new year is the perfect time to set new expectations for your business. Here are some tips on how real estate agents can succeed in 2020.

1 Figure Out What Your Potential Clients Really Want

Consumer demands have changed dramatically in just the past few years. Nearly all potential clients do research online, mostly on their cell phones.

As a real estate professional, if your process does not make it easy for clients to apply, submit documents, search for homes, and get process updates on demand, then you are putting your business at a disadvantage.

Beyond the mobile experience, you also need to learn more about how clients want to engage with your business. Whether you are creating videos or writing articles, figure out which topics your clients care about most and deliver that type of content.

2 Increase Your Visibility

Can potential clients easily find your business online? Your online marketing should ensure your business is visible in as many places as possible on the web. It also needs to demonstrate the image you are trying to portray as a local expert who can serve as their trusted advisor.

These days, social media is the internet. If your business isn't showing up when your potential clients scroll through their newsfeed, keep in mind that at least one of your competitors is.

To increase your visibility on social media, post paid ads,

videos, articles, and other helpful content on platforms such as Facebook, LinkedIn, Instagram, TikTok, and Twitter.

3 Create Video Content

Video is the most effective way to increase your visibility online. By viewing your videos, your clients can tell if you are likeable, credible, and trustworthy. Video can also make the magic happen for your business since it is easy to share and can go viral.

A good mix of professional videos from a videographer and informal, casual videos is a great promotional strategy for your business.

However, the most important aspect of starting a video marketing strategy is consistency. Publish new content regularly to condition your audience to expect regular updates from your business.

4 Master Facebook Ads

Lastly, Facebook Ads are extremely important for leveraging the power of audiences on Facebook. When used properly, they can bring instant visibility and leads to your business. By spending a few hundred dollars on ads each month, you can increase the views of your videos and other brand content by tens of thousands per month.

These strategies all take time and effort to learn and implement, and inevitably involve some trial and error. So, don't expect perfection out of the box. When you challenge yourself to make the commitment to improve your business with tangible goals like these, your ability to get new clients will improve significantly.





It's the *little* things
that make the
BIG difference!™



Several Convenient Locations to Better Serve You!

APPLE VALLEY • BLAINE • EDINA • FARIBAULT • FOREST LAKE

MAPLE GROVE • WHITE BEAR LAKE (HQ) • WOODBURY

Find us at Title-Smart.com



The information presented and conclusions stated in this newsletter are based solely upon our best judgement and analysis of information sources. It is not guaranteed information and is not necessarily a complete statement of all available data. Web site citations are current at time of publication but subject to change. This material may not be quoted or reproduced in any form, including copy machines or any electronic storage or transmission medium, in whole or in part, without permission from the publisher. A special edition of Real Estate Digest is available for real estate agents specializing in commercial property or high-end residential, and for mortgage brokers. Please call 866-762-7879 to order your personalized copies today.