

Real Estate Digest



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Market Outlook: Smooth Sailing Through 2017

The real estate industry is expected to remain on a sustainable course of solid growth for the remainder of 2015, through next year, and well into 2017, according to a new three-year forecast from the Urban Land Institute (ULI) Center for Capital Markets and Real Estate.

The foundation for the uptick will be robust job growth, expected to be 2.9 million new jobs per year, compared to a

long-term average of 1.2 million. Job growth historically translates into demand for real estate, both commercial and residential.

Although the potential exists for progress to be hampered by obstacles such as economic downturns, foreign crises, interest rate spikes or oversupplies, “most real estate pros predict three more years of smooth sailing for U.S. real estate,” said ULI study leader William Maher.

“In summary, almost all U.S.





real estate participants would be very pleased if the future unfolded as predicted by the ULI consensus forecast,” said Maher. “The forecast represents almost the perfect combination of strong economic and property market fundamentals, combined with an orderly wind-down of monetary stimulus.”

Mortgage Rates to Rise?

If there’s a cloud on the horizon, it’s that all this good news will prompt the Fed to worry about inflation and bump interest rates in response. *Forbes* magazine expects mortgage interest to rise in the second half of this year by up to one point or more, with another two-point increase forecast for 2016.

Single-Family Strong

Predictions for single-family housing suggest that the residential sector remains in recovery mode. Survey respondents expect housing starts to rise from 647,400 in 2014 to 700,000 in 2015, 815,000 in 2016 and 900,000 by the end of 2017. The average price for existing homes in the U.S. is expected to rise by 5.0 percent in 2015, 4.0 percent in 2016 and 4.0 percent in 2017.

“While we’ve been in the midst of a seller’s market over the past several years, we’re gradually making our way to a more balanced market,” says Damon Caldwell, a corporate broker with Realty ONE Group in Las Vegas, Nev. “A gradual increase in property values, low interest rates and new loan programs are all positively affecting our market.”

“The homes for sale inventory continues to be limited while buyer demand has picked up with low mortgage rates and improving consumer confidence,” says Frank Nothaft, chief economist for CoreLogic. “As a result, there has been continued upward pressure on prices in most markets.”

TRENDS

Big Biz Returning to the Cities



Reversing a trend that harkens back to the late ‘60s, large companies are leaving their sprawling suburban office parks and heading back to city centers.

This past spring, for example, online travel agency Expedia Inc. announced plans to relocate its headquarters from a Seattle suburb that it has called home for nearly 20 years to the city’s downtown. Likewise, Motorola Mobility recently unveiled its new 600,000-square-foot global headquarters in downtown Chicago, a return to the city after nearly 40 years in the suburbs.

“In the late 60s and early 70s, CEOs in places like New York City fled the city and moved to the suburbs,” said Ed McMahon, a senior resident fellow for the Urban Land Institute. “In those days, the determining factor was where the CEO of the company wanted to live.”

The move back is prompted in part as an attempt to attract and retain workers—particularly younger workers who are postponing homeownership and favor renting in walkable neighborhoods with easy access to restaurants, shopping and cultural opportunities.

Walkable locations aren’t just good for employee recruitment; they also can be good for the bottom line. According to Real Capital Analytics Inc., prices for commercial properties in highly walkable locations show significantly greater appreciation than car-dependent locations.



Over the past decade, values for such properties located in central business districts have risen 125%. Prices were up only 21% to 22% for suburban properties that were either “somewhat walkable” or car-dependent. The data suggest that while demographic changes and tenant preferences are shifting back to urban locations, even in the suburbs, live/work/play environments with high walkability scores also are drawing higher prices.

What happens to the suburban spaces vacated when companies relocate? “Communities are turning them into everything from health clinics to city halls to community colleges,” McMahon said. “One of the biggest trends of the next generation is going to be the repurposing of an incredible amount of existing suburban development.”

In other words, it isn’t all bad for the suburbs. While the recovery of the urban core is widely known, “less heralded is the contribution that suburban office markets have been making to the office market’s recovery,” said Ryan Severino, senior economist and director of research for Reis, a provider of commercial real-estate market data.

Many Potential Buyers Still Voice Concerns



Consumers continue to express concerns about buying homes, particularly high home prices, according to Fannie Mae’s most recent 2015 National Housing Survey.

The share of Americans who say now is a good time to buy decreased by four percentage points as consumers report their concern over escalating home prices.

“The spring and summer home buying season has gotten off to a stronger start, reflected in some of the improvement in consumer housing sentiment,” says Doug Duncan, Fannie Mae’s chief economist. Nevertheless, consumers continue to express concerns. “When we consider both the continued caution of consumers and the positive start to the year, we believe that these results support our expectation that 2015 will be a year of modest growth in housing activity.”

Here are some additional findings:

- ✳ Americans who say home prices will rise over the next 12 months believe prices will rise an average of 2.8 percent in that timeframe.
- ✳ The number of Americans who say now is a good time to buy decreased to 63 percent, while those who say now is a good time to sell held steady at 46 percent.
- ✳ The majority of consumers believe rental prices will continue to rise, with the average 12-month rental price change expectation ticking up to 4.1 percent.
- ✳ The percentage of Americans who believe now would be an easy time to get a home mortgage rose by two percentage points to 52 percent, while those who say it would be difficult remained at 46 percent.
- ✳ The percentage of respondents who expect their personal financial situation to get worse over the next 12 months dropped to 10 percent, a new survey low.



INDUSTRY

Don't Overlook the Added Cost for International Buyers



Compared to domestic buyers, overseas investors often have additional financial considerations when purchasing real estate in the U.S. Such factors can significantly impact the cost of a property and influence how you engage with them.

A foreign property owner's tax liability in their home country will vary depending upon where the purchaser is from and whether that country has a tax treaty with the United States. As a real estate professional, you can provide overseas clients with guidance around the benefits of consulting a tax attorney familiar with their home country's treaty with the U.S.

Overseas buyers are also more likely to pay higher interest rates and be required to make larger down payments (often 40 percent or more of the purchase price). This is due to the relative risk of a foreign buyer who may be impossible to serve with legal proceedings and whose assets may be untouchable. Make sure your buyer is prepared and able to bring cash to the deal before getting too far along in the buying process.

And get ready for a last-minute snag — fluctuating exchange rates, which can seriously impact a foreign buyer's budget. This is particularly true given the large sums of money being transacted, coupled with the current strength of the U.S. dollar.

It's a good idea to connect with a foreign exchange specialist before working with foreign buyers. Then explain to buyers that these specialists not only offer bank-beating exchange rates and

low transfer fees, but provide a range of specialist tools to help protect their customers from negative exchange rate movements. An exchange expert might suggest, for example, a "forward contract," which allows buyers to lock into an exchange rate up to two years in advance — ensuring the cost of their purchase will not rise between the time an offer is made and the transaction is completed.

Home Ownership Linked to Happiness



Home ownership can lead to higher levels of well-being, according to data from the OECD Better Life Index, which gauges the quality of life worldwide by factoring in such things like housing, jobs, civic engagement, health and safety.

The heightened sense of happiness that comes from home ownership may reflect more than just getting a new home. It might be more closely tied to the basic need for shelter, says Aida Caldera Sanchez and Caroline Tassot, authors of the index analysis. Also, home ownership can lead to status and independence — qualities that often are linked to happiness, their analysis shows.

On the well-being index, housing outperformed all the other indicators monitored — like education, safety and environment.



AGENTS' CORNER

Google Mobile Has Arrived, Have You?



If you haven't heard the big digital news yet, Google made major changes to its mobile search algorithm that now heavily favors websites that are mobile-friendly.

It would be a major understatement to say that real estate buyers rely on mobile devices. In fact, as of the end of 2014, Google reported that over 50 percent of all search traffic came from mobile devices.

Here are three actions to take to be sure you win the search wars.

- 1 Run Google's Mobile-Friendly Test.** To find out whether your site passes Google's mobile test, your first step is to use their helpful Mobile-Friendly Test tool (search on the term in Google to find it). Simply enter your URL and this tool will determine whether your site is up to par with Google's general mobile requirements. If your site fails the test, the tool provides a report that identifies problems along with potential solutions.
- 2 Check out Google's Webmaster Resources.** After completing the Mobile-Friendly Test, look into Google's Mobile Usability Report in their Webmaster Tools (you'll need to have this set up on your site). Webmaster Tools displays both desktop and mobile errors through a Google lens, and offers great insights into site architecture, content and server challenges. If this is beyond your scope, check in with your webmaster.
- 3 Invest in a Mobile-Friendly Platform.** Another great way to upgrade is to research and invest in a mobile-ready platform

to replace your existing website. Ask your Web builder to help you look in to platforms like WordPress, Wix or to use a real-estate-friendly Responsive IDX plugin. These platforms help keep your Web presence consistent across all devices. This means your website will look flawless no matter how a user views it.

The bottom line is this — your website will have a better chance of being discovered and clicked on in mobile search results if it meets Google's mobile standards.

Five Tips for Better Real Estate Photos



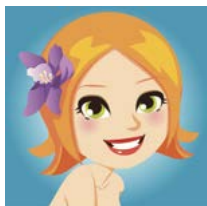
Whether you're hiring a professional or taking the shots yourself, here are five tips that'll help you create better real estate photos for your listings:

- 1 Plan Your Shots.** Before you start, create a shot list to organize your shoot, gain efficiency and make sure you don't miss important photos. Print your list and bring it with you (or give it to your photographer) so you can check it off as you go.
- 2 Don't Be Scared to Move the Furniture.** Often, you'll want to take a step back so you can get a better angle and show more of the room. Just be sure to put whatever you move back before you leave.
- 3 Check the Details.** Don't push the shutter-release button until you've given the room a thorough once over. Here are some commonly overlooked things to check for:
 - ✱ Is the toilet lid up?
 - ✱ Are the cabinets and drawers closed?



- * Are the TV and computer monitors off?
 - * Are pillows and blankets straightened?
 - * Can you remove any additional clutter from counters or table tops?
 - * Can you put away any seasonal items that might date your photos?
- 4 Avoid Shooting Blank Walls.** How many photos have you seen on the MLS of a blank wall, corner or floor? No matter what you're trying to show potential buyers, we guarantee you can find a more visually interesting way to do it.
- 5 Watch Out for Reflections.** Be careful to keep yourself from showing up in mirrors, windows or shiny appliances.

Eight Do's and Don'ts For Better Agent Headshots



The real estate agent headshot is an absolute necessity in the industry. Here's a helpful list for your next photo session:

- 1 Do update your photo.** It's important to keep your headshot current. You want your online prospects to recognize you when you finally meet them.
- 2 Do choose a setting that reflects your brand.** If you sell beachfront properties, having a tasteful seaside view in the background will reinforce your area of expertise. High-end

residential homes? Try a lush garden location. Or, if al fresco photography isn't your thing, consider a casual office setting or classic solid backdrop.

- 3 Do wear something you feel comfortable in.** Not a suit person? Then don't wear a suit. Your awkwardness will come through in the photo. On a related note, do wear something with sleeves.
- 4 Do have a cropped version.** Cropping allows you to almost completely eliminate any backgrounds or styling choices that may appear dated over time. Cropped photos are also handy to use on social media platforms.
- 5 Don't use props.** Telephones, sold signs, glasses of wine. Let your smiling face do the talking.
- 6 Don't abuse photo-editing tools.** Of course we could all use a light touch-up from time to time, but proceed with caution. Think natural.
- 7 Don't strike a pose.** Prospects respond best to approachable headshots that indicate what their experience may be like if they choose to work with you. Select a natural sitting or standing position and act like yourself on your best day.
- 8 Don't include your spouse/children/pets.** Don't, unless you're a husband and wife team, that is.

Keep in mind that there is an exception to every rule. If you have positioned yourself in a niche market, you may find a reason to do every don't and avoid every do. The most important thing to remember is that your headshot is often your first impression — make it count!



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