Real Estate Digest

JUDICIAL TITLE

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# Inventory Jam Eases as Homeowners Warm Up to Selling

Many homeowners who have lingered on the sidelines for years are finally ready to stake a *for sale* sign in their yards, boding well for purchase activity for the remainder of the year. Sellers are encouraged by increased job and income growth, according to Fannie Mae's most recent 2015 National Housing Survey.

The share of Americans surveyed who say now is a good time to sell reached a new high in the latest survey, increasing three percentage points to 52 percent. It's the first time the metric had crossed the 50 percent threshold in the survey's history.

The number of Americans who say they expect home rental prices to rise in the next 12 months also reached an all-time survey high, at 59 percent.


## Jumping In

"With an increase in housing supply from those ready to sell, combined with higher rental cost expectations, more potential home buyers may be encouraged to leave the sidelines," according to Fannie Mae's survey.

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The limited inventory of homes for sale that has plagued many markets has been putting upward pressure on home prices. It may also be signaling an increasing advantage to sellers. Also, renters are facing rising costs.

"Together, these results point to a healthier home purchase market, with more renters likely to find owning to be more cost-effective than renting and more sellers likely to put their homes on the market," says Doug Duncan, senior vice president and chief economist at Fannie Mae.

## Price Expectations

The survey also found that the average price change expectation dropped to 2.6 percent for the next 12 months, and the number of survey respondents who believe home prices will rise in the next 12 months dropped to 47 percent.

At the same time, the share of respondents who say it's a good time to buy a house dropped to 63 percent — tying a survey low — while those who say it's a good time to sell rose to 52 percent — a new survey high.

There is one wildcard that could hinder the easing of inventory. Investors.

With the rental market still strong, large institutional investors are largely holding on to millions of single-family rental homes, one of their most valuable assets.

In the aftermath of the housing crisis, investors swarmed to buy up foreclosed single-family homes and turn them into rentals. Now, even years later, they're refusing to let go and sell, viewing long-lasting potential with these properties.

The share of single-family rental homes has climbed 35 percent since 2006 — reaching 15.1 million from 11.2 million, according to John Burns Real Estate Consulting. About 3.9 million owner-occupied homes have turned into rentals since that time.

# TRENDS

## Cash Sales Fall to Six-Year Low

Only one out of four single-family home and condo sales this past spring were all-cash purchases, down from 30.4 percent a year ago. That's the lowest level since November 2009. Distress sales also fell to a new low of 10.5 percent of all recent sales, down from 18.3 percent a year ago. That's the lowest level since January 2011, according to RealtyTrac.

The share of institutional investors — entities purchasing at least 10 properties in a calendar year — dropped to 2.4 percent of single family home sales in May, a record low going back to January 2000, the earliest month with data available.

## Most Popular New-Home Amenities

Master bedroom walk-in-closets and laundry rooms are the top features that builders are most likely to include in a new home this year, according to a survey of builders conducted by the National Association of Home Builders.

"Both features speak to improving organization and storage characteristics of new homes," according to NAHB on its Eye on Housing blog.

Greater energy efficiency amenities also were ranked higher, with low-E windows coming in No. 3 on the most likely amenity list on new homes. Energy Star-rated appliances and windows as well as a programmable thermostat also ranked high.

The following were ranked as the most likely features and amenities to be included on an average single-family home in 2015:

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- Walk-in closet in master bedroom
- Laundry room
- Low-E windows
- Great room (kitchen/family room/living room)
- Energy Star-rated windows
- Ceiling height on the first floor of 9 feet or more
- 2-car garage
- Programmable thermostat
- Granite countertop in the kitchen
- Central island in the kitchen
- Bathroom linen closet
- Front porch

On the other hand, the features identified in the survey as the most unlikely to be included in new homes this year are:

- Outdoor kitchen (cooking, refrigerators and sinks)
- Laminate countertops in the kitchen
- Outdoor fireplace
- Sunroom
- Two-story family room
- Media room
- Two-story foyer
- Walking/jogging trails in the community
- Whirlpool in the master bathroom
- Carpeting as the flooring on the main level

## Equity Makes a Comeback

As home prices rise, more homeowners are regaining equity. During the first quarter of this year, about 254,000 properties regained equity, according to CoreLogic's latest equity report.

That now brings the total number of residential properties with a mortgage that have equity to about 44.9 million — or 90 percent — by the end of the first quarter.

# MARKETS

## Best States for First-Timers

Deciding where to buy a home for the first time is one of the biggest decisions a consumer will make. Unfortunately, not all states have prime conditions for young buyers looking to enter the market. Thirty-two percent of all buyers are first timers now, compared to only 27 percent one year ago.

So where should young buyers look to buy their first home? To rank the states that offer the best conditions for first-time homebuyers, GOBankingRates considered which states saw the largest first-time buyer growth from 2003 to the present, as well as the lowest levels of foreclosures. They also looked at the local housing market conditions and the state housing assistance programs that are available to help young buyers.

The 10 Best States for First-Time Buyers:

- West Virginia
- Rhode Island
- Massachusetts
- Washington, D.C
- Maine
- New Hampshire
- Vermont
- Hawaii
- Wyoming
- Arizona

## Ten States Reach New Price Peaks

Limited inventories of for-sale homes continue to push home prices higher across the country. For 10 states, those limited listings even propelled markets to new home price peaks in May.

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The states that have zoomed to new price peaks are:

- Alaska
- Iowa
- New York
- Oklahoma
- Texas
- Colorado
- Nebraska
- North Carolina
- Tennessee
- Vermont

"Mortgage rates on 30-year fixed-rate loans remained low, helping to fuel home purchase activity," says Frank Nothaft, CoreLogic's chief economist. "Our homes-for-sale listing data shows that markets with high demand and limited supply are recording double-digit appreciation rates over the past year." Overall, 33 states are at or within 10 percent of their price peaks, according to the survey.

## INDUSTRY

### Realtors Growing Older, Making Less


The average real estate professional made $1900 less last year than in 2013 because home sales declined and Realtor membership increased. The 2015 National Association of Realtors Member Profile also found the average Realtor is older than ever.

"After gradually climbing for three consecutive years, the decline in existing-home sales in 2014 resulted in a slight reduction in business activity and income last year since home sales didn't surpass year-over-year levels until October, which is likely the reason the typical member had 11 transactions last year versus 12 in 2013," said Lawrence Yun, NAR chief economist.

"Slightly fewer transactions resulted in the median gross income of a Realtor falling to $45,800 from $47,700 in 2013," he said.

Last year continued the recent trend of more new members to NAR. NAR membership at the end of 2014 stood at 1.1 million, up 5.5 percent from 2013. Although median years of experience in real estate remained at 12 years for the second straight year, more members (17 percent) reported they have been in the business for two years or less (13 percent in 2013).

As expected, median gross income and number of transactions generally increase with experience. Last year, Realtors in business for more than 16 years earned $68,200 and made 13 transactions. Those with three-to-five years earned less than half that amount ($37,400) and had 10 transactions. Incomes also varied by license type, as members licensed as brokers in 2014 earned $65,300 ($66,300 in 2013), while the median earnings for sales agents decreased $1,100 from the previous year to $33,900.

The average Realtor is also growing older, the study found. The median age of members rose to 57 years from 56 last year and 52 in 2008. Only two percent of all Realtors are under 30 years of age; 18 percent are between ages 30 and 44, and 25 percent are 65 and older.

Some 58 percent of Realtors are women, who account for 53 percent of brokers and 63 percent of sales agents. More than three-quarters (77 percent) of all members cite real estate as their only occupation, and 84 percent (82 percent in 2014) are certain they will remain in the business for at least two more years.

Sixty-nine percent of respondents are compensated through a split commission arrangement, 17 percent receive all of the commission and another four percent receive a commission plus a share of profits; 11 percent received some other form of compensation. Percentage split-commission was more popular with sales

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agents (78 percent). Furthermore, members with less experience more often had percentage split-commission arrangements, as well as those who had lower personal earnings.

Eighty-three percent of members work as independent contractors for their firms. The vast majority receive no fringe benefits, although 36 percent (33 percent in 2013) are covered by errors and omissions insurance by their firm. Only five percent receive health insurance through their firm — unchanged from a year ago.

## Real Estate Pros Bullish On Like-Kind Exchanges

A survey released by the NAR shows that real estate like-kind exchanges remain an important tool in the way that real estate professionals do business.

Like-kind exchanges, also known as Internal Revenue Code Section 1031, give individuals and businesses a tax deferment on gains after they get rid of one property, as long as the proceeds are reinvested in a similar property. These types of exchanges are available to individuals, partnerships, corporations, limited liability companies and trusts.

The 2015 Like-Kind Exchanges: Real Estate Market Perspectives Report found that NAR's commercial and residential members believe these tax provisions are necessary for gaining and disposing properties, and helping to fuel the country's economic and job growth.

Real estate investors and commercial property owners agree that like-kind exchanges are highly valued in their business. 40 percent of respondents said that transactions would not have occurred without this tax provision, and 96 percent believe that real estate values would go down if they were repealed.

Like-kind exchange participants use them for many reasons besides deferring capital gains taxes. Reasons include gaining equity to buy more properties, estate planning, portfolio diversification and completing development projects.

## AGENTS' CORNER

## Content is King. Four Ways to Make it Work for You

Despite the continuous cycle that drives housing, there's one commodity, arguably more valuable than any other, relentlessly in demand while in an ever-present glut. That's information.

"As a real estate professional, if you are not helping consumers clear a path through this dense information jungle, you're leading them — and your business — astray," said Brett Johnson content expert with RISMedia Content Solutions

The solution? Learn how to use high-quality content for four very specific strategic purposes. Here they are:

1. **Earn Repeat and Referral Business.** Maintaining relationships with past clients is key to repeat and referral business, but unless clients have demonstrated an interest in your services, engaging in follow-up conversations can be a challenge. You can make those conversations pertinent by sharing timely and topical information in a personally branded email.

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"It doesn't have to be all about real estate. Consider topics ranging from homeownership and health to pets and pop culture," said Johnson.

2 **Nurture Leads.** Not every lead is ready to act in the next month, or even the next year, so it's important for real estate professionals to have a system that maintains connections long-term. Ongoing communication is essential, but weekly market reports will mean little to those without an immediate need for your services.

"To avoid working against a promising relationship, touch base monthly with an email brimming with real-estate related consumer information, such as "Seven Costly Mistakes New Homeowners Make" or "Escrow and its Role in Real Estate,"

"Pertinent information designates you the go-to source for all things real estate," said Johnson.

3 **Wow Visitors to Your Website.** Because over 90 percent of home buyers use the Internet to search for their dream home, your real estate website must be a one-stop shop, complete with content, to effectively capture business.

In addition to links to the latest listings and video, pack your site with timely news stories, consumer-facing video tips, a glossary of real estate terms and a Q&A section.

"These features will help you retain visitors," said Johnson, "and stand out in a sea of real estate websites."

4 **Become Search Engine-Friendly.** Did you know Facebook's algorithm gives preference to high-quality content? Or that Google separates video results in searches? These features are the mark of a concerted effort to deliver the most valuable information the Internet has to offer.

Johnson suggests you find a source of free or paid content that works for you and make sure it's updated regularly.

BOTTOM LINE: There is no substitute for branding and consistent marketing, and content is the easiest way to separate yourself from the crowd.

## Five Good Reasons to Stage Your Listings

Yes, professional staging can cost several thousand dollars. Is it worth it? You decide:

1 A professional stager knows how to make a home appeal to the maximum number of potential buyers. Sure, sellers can spruce up and declutter. But it's difficult for them to be objective about how a prospective buyer will see their home and possessions.

2 You'll have better photos. Today, 43 percent of home buyers look online for properties before they ever contact an agent. Better photos = better exposure for your listing.

3 Staging helps buyers visualize themselves living there. Especially with a vacant home, buyers might have problems visualizing how their furniture will fit.

4 The Real Estate Staging Association reports that professionally staged homes spend 72 percent less time on the market.

5 Staged homes sell for more. A 2014 survey found that more than half of professionally staged homes received 10 percent more at sale than neighboring unstaged homes. Even if staging costs 1 percent of the value of the home, if it sells for 10 percent more than it would have otherwise, you're still ahead!

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# JUDICIAL TITLE

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