Real Estate Digest

JUDICIAL TITLE

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Fast Start for 2016… More to Come

Home sales are poised to zoom to the highest levels since 2006 this year, following a fast start and rosy 2016 housing forecasts.

Gains in new home construction and existing home sales are both expected to push total home sales to the highest levels in years. The new-home construction market is expected to see the most gains in 2016, said the National Association of Realtors, which is forecasting a 12 percent year-over-year increase in housing starts and a 16 percent year-over-year growth in new home sales. The gains in existing-home sales are expected to be more moderate, with expectations of a three percent year-over-year gain.

"The improvements we've seen over the last few years have enabled a recovery in the existing-home market…," said Jonathan Smoke, realtor.com's chief economist. Total sales for existing and new homes are expected to reach six million for the first time since 2006 next year.

Millennials are expected to make up the largest demographic of buyers in the coming year at 30 percent of the existing home market.

"Driven by increasing income, millennials will seek out homes that meet the needs of their growing families — putting the most weight on the safety of the neighborhood and the quality of the home," said Smoke. "Commute time and a preference for older homes have these buyers looking in city centers and closer-in suburbs."

Young Generation Xers, buyers between the ages of 35 to 44 years old, are likely to make up the second largest population of buyers in 2016.

"These buyers have rebounded from the

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financial crisis and are entering their prime family-raising and earning years," said Smoke. "More than two-thirds of the buyers in this age group already own a home. They will be moving out of a starter home into a larger home or more desirable neighborhood."

The third largest segment of home buyers in 2016 is expected to be individuals or couples who are looking to relocate or retire between the ages of 65 and 74. New retirees are expected to fuel a trend in downsizing and seeking out ways to lower their cost of living.

"They will likely put their home up for sale at the start of the home-buying season in March or April, and aim to make a home purchase following the sale of their home. This age cohort has a very strong preference for newly constructed homes and put the most weight on their ability to customize their home."

TRENDS

Inventory Relief Coming Soon?

New-home production is predicted to surpass one million this year and reach 1.2 million in 2017, according to the National Association of Home Builders' (NAHB) annual Fall Construction Forecast Webinar. That will put the new-home market on track to reach 91 percent of its average norm by 2017.

"2016 has a lot of potential to accelerate the recovery," says Robert Denk, NAHB's senior economist. "It's about population and job growth. We're really in a very different place than we were in the early rounds of the recovery."

The average number of single-family starts in a given year was around 1.3 million, which was the average in the early 2000s. However, after the housing bubble era, housing starts dipped to about 350,000 in 2009, and have been slow to mend. The market is currently at about 740,000 — 53 percent of the long-term average, according to Denk.

Denk says the pent-up demand for housing production will drive an increase in the next two years. There have been few homes built since the recession, "and how long can we go without people demanding additional housing?" Denk says.

MORGTAGES

Freddie Mac Warns Buyers of Several New Credit Scams

Freddie Mac issued a warning for home buyers about three scams that try to entice them with promises of raising their credit score in exchange for money.

"For many Americans with consumer credit negatively impacted by the housing crisis and fluctuating economy, it's easy to be lured by the promise of a raised credit score. Schemes that falsely raise credit scores will land borrowers in scalding hot water — as well as cost you time and money combating both origination- and servicing-related fraud," said Freddie Mac in a news release.

Freddie Mac highlighted three types of common fraud schemes that include a promise to raise credit scores:

1 **Disputing credit with credit bureaus.** A new program with FICO — called FICO Score Open Access for Credit & Financial Counseling — was created to help borrowers who have credit management problems by providing FICO scores along with credit education material to help consumers understand credit scoring and learn more about financial management. However, some fraudsters are using the program in a scam.

"(Scammers) may direct a borrower to contact credit repositories repeatedly to dispute previously defaulted debt," Freddie Mac warns at its site. "The fraudster hopes the creditor will miss responding to one

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of the disputes and the defaulted debt will disappear temporarily, triggering a jump in the borrower's credit score. The borrower may qualify for — and close on — a new mortgage before the credit report correctly reflects the defaulted debt and the borrower's true credit score."

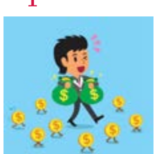
2 **Claiming identity theft falsely.** Some companies are encouraging buyers to falsely claim identity theft on their loan application in order to have debt removed from their credit report.

"Some borrowers who falsely claimed identify theft have gone as far as providing affidavits of identity theft and police reports," Freddie Mac writes. "Of course, lenders take these claims seriously and investigate. In some instances, they discover that the 'police report' is fake, never actually filed, or from a police department that doesn't exist."

3 Misusing credit protection numbers. Using a credit privacy number — an alternative for a Social Security number that is most commonly used by celebrities and politicians to hide previous credit issues — can be a dangerous move.

"Some consumers with poor credit acquire a CPN with the intent of creating a new, clean — and misleading — credit profile," Freddie Mac notes. "CPNs were not created for this purpose, and mortgage loans originated using a CPN are ineligible for sale to Freddie Mac. Borrowers who use a CPN with the hope of leaving their bad credit histories in the rear view mirror are in for a rude awakening." As the Federal Trade Commission points out, by using a stolen number as your own, the con artists will have involved you in identity theft, for which you may face legal trouble.

The Bank of Mom and Dad Is Open for Mortgage Business



Loans and gifts from family and friends have growing importance in the home-buying process. This underscores both the challenge that securing a suitable down payment represents for younger homebuyers, and their resourcefulness in finding ways to clear the down payment hurdle.

According to the Federal Reserve Board's Survey of Household Economics and Decision-making (SHED), the data also raise difficult questions around inequality in the housing market. Not surprisingly, the lowest-income buyers, likely needing the most help from family and friends to buy a home, may not have access to the same kinds of social networks as their wealthier peers.

The SHED asks homeowners to identify the sources of the funds used for their down payment when they purchased their current home. There are five non-exclusive response options (homeowners can identify more than one source of funds):

- Proceeds from the sale of a previous home
- Personal savings
- A loan or gift from family or friends
- A second mortgage
- Financial assistance from a government program or non-profit organization.

The use of loans and gifts from family and friends to help purchase a home increased sharply during the recession — from eight percent of homes bought in 2007 to 21 percent of homes bought in 2009. The share has since declined, to 13 percent, but remains slightly above where it was prior to the recession.

The reliance on down payment assistance from family and friends varies across racial and ethnic groups. Those falling into the "Other, non-Hispanic" grouping in the SHED data, presumably mostly Asians, have gotten the most help buying a home from their social networks over the past decade: 23 percent of these home buyers received a loan or gift from family or friends between 2005 and 2014. Hispanics also have a higher incidence of down payment assistance from social networks (17 percent) over the same time. Non-Hispanic blacks were least likely (seven percent) to report receiving down payment assistance from family and friends.

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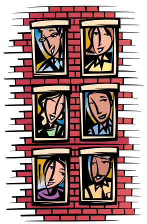
As expected, the lowest-income households are much less likely to buy homes: Only two percent of households in the bottom income quintile purchased a home during the previous three years, compared to nine percent of households in the upper two income quintiles.

MARKETS

Rental Markets Finally Cooling Off?



The best days for the multi-family sector may finally be winding down, as new construction has already surpassed historical averages.

"This sector has been the industry's top performer over the past several years as a result of younger households struggling to become home owners and the demand for apartments far exceeding supply in many markets," said Lawrence Yun, economist for the NAR.

While rising occupancy and rents will likely continue, property prices are forecast to decline slightly this year if the Federal Reserve continues raising interest rates. However, investments are still expected to continue on an upward trend, Yun predicts.

"Rising sales and investor optimism in recent years has pushed prices past their peak in many of the larger commercial markets," says Yun. "Investors — especially those abroad — looking for better yields will likely seek to invest their larger sums of cash in smaller markets and into lower-end properties."

Still, the future for the commercial real estate sector overall is looking bright and will likely continue this year, despite headwinds coming from a fragile economy in recent months, according to NAR's report.

"Temporary turbulence in the financial markets, a stronger U.S. dollar hurting exports, and economic weakness overseas chipped away at growth and led to some deceleration in the pace of commercial investments," says Yun. "Yun reports these deterrents are slowly receding, which should ultimately reawaken the growing appetite for commercial space heading into the rest of the year."

Yun notes that healthier labor markets likely will pull down vacancy rates and push rents higher in many metros.

Indeed, rental costs are skyrocketing across the country, much faster than wages. Inflation-adjusted rents climbed seven percent from 2001 to 2014. In that same time period, household incomes fell nine percent, according to the report. Demand for rentals is high, which has pushed vacancy rates down and given landlords more reason to raise prices.

"These trends have led to record numbers of renters paying excessive amounts of income for housing, with little prospect for meaningful improvement," according to the report.

The median rent for a new apartment climbed to $1,372 last year, a 26 percent increase from 2012.

AGENTS' CORNER

Top Social Media Marketing Tactics to Boost Your Presence

As you ready for the busy spring season, keep in mind that the majority of your audience will be searching for you online.

"Your online marketing presence should be a main focal point of your business planning, especially when it comes to social media," says Patty McNease, director of marketing for Homes.com

Here are four fresh marketing ideas to help you start your year off right.

1 **Utilize Automation.** The less time you need to spend in front of a computer sending emails or composing tweets, the more time you'll have for what you do best — home transactions.

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Today, advancements in automated marketing have made it possible for agents to save hours each week while still connecting with clients and generating new leads. Services such as CRM integration, lead nurturing and management, automated email marketing, and sales cycle management are now easier than ever, and are helping to revolutionize real estate marketing.

"If you're looking for ways to automate your social media posting, check out programs like Hootsuite, Social Oomph or Buffer. Keep in mind, though, if you use automation for your social media channels, be sure to post more than new listings or blog content. Don't ignore your real-time activity. Engage with your followers by responding to comments and posing questions in order to keep them involved and be successful," McNease suggests.

2 **Strengthen Your Social Presence.** Regardless of what social media sites you use, your goal should be convincing followers that you're the expert in the area and the best person to help them buy or sell a home. To do this effectively with a Facebook post or Instagram photo, you need to create quality content that interests your followers.

In a recent survey, the NAR revealed that 77 percent of all agents use Facebook as their prime social media outlet. With over 1.3 billion members, it seems the perfect place to reach potential, past and existing customers.

"While Facebook is a safe approach to social media, keep up with the latest social media platforms, such as Periscope, to show clients that you're current with the latest social trends," McNease says.

3 **Connect through Content.** While Snapchat may have seemed like a passing fad just a year ago, now it's evolved into a marketing platform with more than 100 million users that savvy agents can take advantage of.

Even though your Snapchat photos will quickly fade, they will last long enough to catch someone's fancy.

"The advantage of using apps like Snapchat is that, even though the image expires after a short period, it only takes up a small segment of your audience's time, which for Millennials and people on the go, means a great deal," McNease says.

Snapchat, along with other photo-sharing apps like Instagram, also allows you to zero in on users' locations. For example, one feature of Snapchat known as City Life allows users to snap photos or short videos and then add them to a city's story line. This geo-targeted content can then be viewed by all users in the area. Take advantage of this location-based feature by snapping photos of your listings and adding them to the city storyline.

4 **Engage Locally.** The real estate technology market has been inundated with "location-based" applications to help buyers find properties in their area. When it comes to innovative location marketing technologies, that's just the tip of the iceberg. Today, marketers are able to leverage the power of location-based marketing technology to create interactive experiences and connect with customers at the point of engagement.

New technology, such as iBeacons, are becoming increasingly popular in marketing campaigns as Radio Frequency Identification Devices (RFIDs) are used in more cards, wristbands and apps. This new technology can provide agents with opportunities to connect with potential buyers by promoting your listings during their location-based searches. Similarly, new advertising programs, such as Homes.com's Local Connect, allow you to pursue transaction-ready prospects who are actively searching for homes in your market area.

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