Real Estate Digest

TIGER ABSTRACT
INTELLIGENT BUSINESS RESEARCH
613 Baltimore Dr., Suite #1, Wilkes-Barre, PA 18702
info@tigerabstract.com

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# Where Out-of-State Home Shoppers Are Moving To

Trends are changing for out-of-state home shoppers, according to a new Realtor.com report. Out-of-state home buyers are now looking for homes in areas that can provide warm weather, affordable home prices, and numerous job opportunities.

For its Q2 2019 Cross Market Demand Report, Realtor.com analyzed online traffic trends at its website. They examined which markets received the most non-local views, where the views came from and which non-local areas generated the most interest.

These are the top 10 U.S. housing markets that attracted the greatest share of home shopping interest from out-of-state shoppers:

1. Charleston-North Charleston, S.C. (59.8 percent)
2. Boise City, Idaho (59.6 percent)
3. Urban Honolulu, Hawaii (56.0 percent)
4. Columbia, S.C. (52.8 percent)
5. Cape Coral-Fort Myers, Fla. (52.1 percent)
6. Portland-South Portland, Maine 51.9 percent)
7. North Port-Sarasota-Bradenton, Fla. (49.5 percent)
8. Greenville-Anderson-Mauldin, S.C. (48.7 percent)
9. Tucson, Ariz. (48.0 percent)
10. Las Vegas-Henderson-Paradise, Nev. (48.0 percent)

Looking more closely at the top 10 cities, the report revealed some overriding trends among out-of-state shoppers:

continued on next page

November • 2019 Volume 45 • Number 11

## Out-of-State Shoppers Prefer Affordable Markets

Even though the top 10 markets had median listing prices that were 16 percent higher on average than the median price nationally, out-of-state shoppers viewing these markets looked at properties that were less expensive than the median home price in their respective metro.

The report also showed that out-of-state shoppers tend to have higher budgets than locals. The report confirmed that out-of-state shoppers viewed properties that were either just as costly or up to 13 percent more expensive than the properties bought by local shoppers in these metros.

## Out-of-state Shoppers Looked for Strong Employment and Low Taxes

Ahead of affordability, many out-of-state shoppers were attracted to the top 10 cities in this list because they all have lower unemployment rates than the national rate. The out-of-state shoppers tended to come from metros with unemployment rates that were 38 percent higher than the national rate, on average.

## Out-of-state Home Shoppers Prefer Warmer Climates

Many of the out-of-state shoppers were retirees and homebuyers searching for second homes. In fact, the majority of the metros in the top 10 list were from sunny southern and southwestern states.

Several markets in the top 10 are also popular as vacation destinations. Sixty percent of the markets ranked among the top 10 markets for the highest share of secondary home purchases within the last year. Roughly 7.9 percent of homes that were sold in those markets were secondary homes as compared to an average of 2.7 percent over all of the 100 metros analyzed in the study.

## Americans' Confidence in the Housing Market Declines

New data from Fannie Mae indicates that when it comes to home affordability and mortgage rates, Americans feel less confident in the U.S. housing market, despite improving conditions.

In its Home Purchase Sentiment Index, which provides a monthly assessment of Americans' opinions on owning and renting property given changing market conditions, Fannie Mae reported a 2.3 point drop in September, marking a decline from the record high it reached in August.

Survey respondents were also asked to weigh in on home prices, mortgage rates, how concerned they are about losing their employment, and if now is a good time to buy or sell a home. The respondents were also asked if their incomes are higher now than one year ago.

Despite the slight decline, the index was still up 3.8 points from one year ago. The number of Americans who said they felt that now is a good time to buy also rose by 3 percentage points to 28 percent. The number of Americans who said that now is a good time to sell increased 4 points to 44 percent. For 21 percent of respondents, household income rose, roughly the same as last year.

## Best School Districts with Affordable Housing


While some of the top school districts have very high value homes, there are still school districts that have affordable housing. Financial technology company SmartAsset analyzed data from the National Center for Education Statistics and the Department

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November • 2019 Volume 45 • Number 11

of Education to compile a list of the best school districts. They then ranked the districts according to crime rates and incomes using data from the Census Bureau's American Community Survey.

Overall, the study found the majority of the best school districts with affordable housing are located in just three states: Texas, Wisconsin, and Pennsylvania.

Here are the top 10 states with top school districts and affordable housing, according to the study:

1. Plano Independent School District – Collin County, Texas
2. Georgetown Independent School District – Williamson County, Texas
3. Denton Independent School District – Denton County, Texas
4. Sheboygan Area School District – Sheboygan County, Wis.
5. Pittsburgh School District – Allegheny County, Penn.
6. Round Rock Independent School District – Williamson County, Texas
7. Lewisville Independent School District – Denton County, Texas
8. Lancaster School District – Lancaster County, Penn.
9. Racine Unified School District – Racine County, Wis.
10. Wichita Falls Independent School District – Wichita County, Texas

## Climate Change Related Risks Similar to Subprime Crisis

Climate change could pose risks to the housing market similar to the subprime crisis of 2008, says a new paper published by the National Bureau of Economic Research (NBER). However, unlike the crisis in 2008, home values that decline due to climate change are less likely to rebound because many would be destroyed by flooding. According to the paper's findings, banks and other lenders are aware of the threat and are taking steps to mitigate the risks.

Prior to the release of the working paper, economists at both Fannie Mae and Freddie Mac warned that increased flooding resulting from climate change posed a significant risk to the mortgage industry. Asaf Bernstein, an economist at the University of Colorado in Boulder, said the paper's findings also highlight government missteps. Since the government agreed to buy mortgages for homes at risk from climate change without charging a premium, the government effectively encouraged home construction and purchases in areas vulnerable to flooding despite knowing the risks.

However, the regulations that govern Fannie Mae and Freddie Mac do not allow for them to factor in risks from natural disasters into their pricing. This means that banks and other lenders could offload properties in vulnerable areas without suffering any financial penalties.

The nation's largest mortgage lenders, including JP Morgan Chase and Wells Fargo, have denied that they engaged in this practice.

## First-time Homebuyers Feel Overwhelmed

Becoming a homeowner is still an important goal for many Americans. However, a new report from Framework shows that a large number of first-time homebuyers feel apprehensive about the process. Many reported that they wished they were better educated about purchasing real estate before they began their journey.

According to the study, only 41 percent of first-time homebuyers said they felt well prepared for the home buying process. Another 55 percent said they wished they had an independent advocate on their side to help them through the process.

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A significant number of respondents (54 percent) also felt they should have started looking for a home sooner. Surprisingly, nearly half of first-time homebuyers said they actually felt the home buying process was rigged against them.

In a separate study conducted by Freedom Debt Relief, 29 percent of the 1,028 people surveyed said homeownership made them feel anxious and stressed. Some 26 percent of respondents said the cost of owning a home feels like a burden and they wished they were renters instead.

## Corporation Owned Homes Rising Faster than Owner Occupied Homes, Says Study


A new study has uncovered a surprising fact about the U.S. housing market: the number of homes owned by large corporations is rising. While single-family suburban homes were typically owner-occupied in the past, these days more families are renting. The study was conducted by Andrea Eisfeldt of UCLA's Anderson School of Management and industry expert Andrew Demers and published by the National Bureau of Economic Research (NBER).

Over 12 million single-family homes in the United States are currently being rented. These homes account for more than $2.3 trillion in home value and make up 35 percent of all rental housing in the U.S. In addition, the percentage of homeowners has reached its lowest level since the 1960s.

The NBER study estimates that a 4 percent decline in the homeownership rate as of 2014 from 67 percent before the crash in 2007 is the result of 1.5 million American households becoming renters rather than owners.

This figure represents more than $220 billion in housing value. It also represents a transfer of wealth from Americans who once owned their homes, or would have owned the homes, over to large corporations. According to the NBER study, large-scale investors in single-family homes have generally benefited from the purchases in two ways: from collecting rents and also by gaining from the appreciation in the value of these homes.

## Renters Blame Student Loans for Delay Buying Home

According to the 2019 Zillow Group Report on Consumer Housing Trends, 32 percent of Gen Z and millennial buyers said their student debt caused them to be denied for home financing. This was in comparison to just 25 percent of Gen X and 8 percent of Boomer and Silent Generation buyers.

The Zillow report surveyed 13,000 U.S. household decision-makers about their homes. It included questions about how they search for homes, pay for them, and the challenges they experienced during the process. Throughout the study, researchers identified a recurrent topic about debt holding back potential buyers. Other than student loan debt, respondents reported they held significant amounts of credit card or medical debt.

Half of renters and nearly 40 percent of buyers said student loan debt caused them to put off buying a home. After student loan debt, medical debt was the second most common response to why renters were putting off buying a home. Of those surveyed, 63 percent of renters with medical debt say that they would be unable to cover an unforeseen expense of $1,000.

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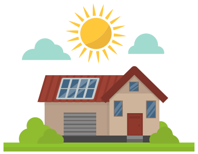
November • 2019 Volume 45 • Number 11

## Solar Boosts Home Prices Most in These 5 States



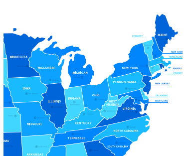
Adding solar panels to a home not only saves energy, it can also potentially increase the home's value. Homes with solar panels are worth up to 4.1 percent more than comparable homes with no solar panels, finds a recent Zillow study. For the median-valued home in the U.S. this translates to an additional $9,274.

Despite the significant upfront investment costs, 80 percent of homeowners say that energy-efficient features are important when choosing a home to buy. In addition, homeowners believe that solar panels in particular can deliver future energy savings.

To identify the states in which solar panels add the highest premiums to home values, Zillow compared the sale prices of homes with and without solar-energy systems that were listed for sale between March 2018 and February 2019.

Here are the 5 states where the median-value homes with solar-energy systems were worth the most according to Zillow's findings:

1. New Jersey: 9.9 percent or $32,281 for the median-valued home.
2. Pennsylvania: 4.9 percent or $8,589 for the median-valued home.
3. North Carolina: 4.8 percent or $8,996 for the median-valued home.
4. Louisiana: 4.9 percent or $7,037 for the median-valued home.
5. Washington: 4.1 percent or $15,916 for the median-valued home.



## House Markets Least Likely to Experience Downturns

The Federal Reserve is not currently forecasting a recession in the U.S. However, the national economy is expected to take a downward turn at some point. In light of how such concerns would impact U.S. housing markets, a new Redfin study identified 10 U.S. cities that are least likely the face a housing downturn.

Redfin analyzed the downturn risk for the 50 largest cities across the country using several metrics:

- Ratio of the median home sale price to household income
- Average loan-to-value ratio for 2018 home sales
- Home-price volatility based on the year-to-year standard deviation
- Sales of homes that are flips, namely homes that were sold twice within 12 months at different prices
- Variety of employment options available in the area, namely the probability that two randomly selected local workers are in the same field
- Share of the local economy that depends on exports
- Share of local households headed by someone 65 or older.

Based on the findings, Rochester, N.Y. ranked as the safest city with the lowest score at 30.4 percent followed by Buffalo, N.Y. at 31.9 percent. Hartford, Conn. had the third lowest score at 33.9 percent. Overall, the top 10 cities that were least likely to experience a housing downturn due to a recession were all located east of the Mississippi River.

## Create an Amazing Closing Experience for Your Clients

Taking extra steps to ensure that your clients have an amazing closing experience you can significantly boost your company's reputation and guarantee a lifetime of referral business.

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Here are 5 ways to create a better closing experience for your clients.

1 **Set Expectations:** Set the right expectations from the start. For example, if you are currently experiencing a strong seller's market, make sure you set the expectation that your clients need to be flexible on the settlement date. Many sellers typically have a closing date in mind and when there are competing offers, closing by the seller's deadline could make or break the deal.

2 **Take Control From the Start:** As the real estate agent, you're the expert, which means your client should rely on you to control the transaction. If your clients don't sense that you are in control, they are going to start looking elsewhere for help, which can create conflict. Furthermore, if you don't assert your position in the client-agent relationship from the beginning, your clients may make misguided decisions they would have entrusted to you.

3 **Prepare and Educate:** One way to ensure a great closing experience is to prepare and educate your clients. Taking an additional 30 minutes to educate your client about their personalized closing plan can save hours throughout the process.

It also helps show your clients you are thinking ahead when they probably don't know what to expect. Finally, preparing and educating your clients will help to ease their anxiety and make them feel confident that the process will go smoothly.

4 **Choose the Right Closing Team:** Who you decide to work with in the real estate transaction is a reflection of you. From the home inspector to the title company, you should always make sure you are connecting your clients with the best people for the transaction.

Communication and trust are the cornerstones of a great home buying experience. The people you recommend to your clients also need to demonstrate excellent communication to earn your client's trust. Make sure your clients can trust both you and your team to perform at the highest level for them.

5 **Improve the Transaction With Software and Services:** Finally, the right technology can help ensure an amazing home buying experience. The online document and transaction management software and services you choose to implement reflect on you as an agent. Choose effective and secure software and services that make the process easier for your clients, and does not burden them with additional technology they need to interact with in order to do business with you.



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