Real Estate Digest

TIGER ABSTRACT
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The Impact of the Trade War on Residential Real Estate

The recent U.S. trade tensions with China may actually impact positively the residential real estate industry positively. Mortgage rates have recently declined in reaction to news of slowing economic growth brought on by market adjustments in anticipation of a protracted trade war.

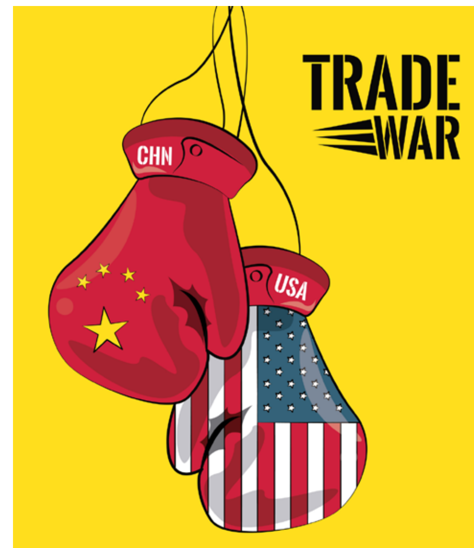
The U.S. manufacturing purchasing managers index, or PMI, declined in May to its lowest level since September 2009, according to financial data from IHS. The decline signaled that business activity had slowed sharply as trade war worries and increased economic uncertainty continue to impact business confidence.

Trade tensions between the U.S. and China, the world's two largest economies, increased in May after both sides began to engage in a tit-for-tat imposition of tariffs on billions of dollars' worth of each other's goods. President Donald Trump also blacklisted Chinese telecom giant Huawei, preventing the firm from buying American-made parts and components for its devices.

Falling Mortgage Rates

As a result, investors have been fleeing stocks for the safety of the bond market, which has caused the yield on the U.S. 10-year Treasury market to fall. Mortgage rates loosely follow that yield and have also subsequently dropped.

The average rate on the 30-year, fixed-rate mortgage declined 4 basis points initially, falling further after the release of the PMI news.



"Lenders will be repricing for the better," said Matthew Graham, chief operating officer at Mortgage News Daily. "The resulting rate sheets will put us right in line with the lowest rates in more than a year (same as March 26-28, 2019)."

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The most qualified borrowers should expect to see rate quotes below 4 percent, according to Graham. In November 2018, the average rate spiked to more than 5 percent, when the expectation was that the Fed would continue to increase interest rates. However, it then began to decline this year as the Fed decided to recall their plans.

Small Rate Changes Can Have Big Impact on Large Balances

Homebuyers have increasingly become sensitive to rate changes in today's housing market because of the high cost of homes. Without the extra income that would allow them to adjust to rate fluctuations, buyers have to figure out a way to make the math work on their monthly payments. A small rate change of just half a percentage point can mean their payment increases by $100 a month or more on a $300,000 mortgage.

"The bigger news is that this could prove to be an inflection point for the broader rate market (and even the economy, if we're to believe today's Market PMI data). That would result in even lower rates," said Graham.

Tension Between Prices and Interest Prices

Lower interest rates have also contributed to the rise in home prices over the past four years. However, price gains have been on the decline since summer 2018, when the interest rates began to rise.

In April, new home sales declined by 6.9 percent, making it the largest month-on-month decline since December 2018. Economists had predicted a drop of just 2.7 percent. The large drop signaled that the housing market was on weaker footing than expected during the critical spring selling season.

New home sales declined in every region of the country except for the Northeast. Home purchases in the Midwest and West saw their biggest monthly declines since December 2018 as well.

However, if the rates fall to new lows again and remain there for some time, home prices could increase again.

10 Cities That Have Produced the Best 20-Year Returns on Home Values

Over the past 20 years, homeowners in some U.S. cities have benefited greatly from staying in their homes. Although the median nationwide home value is 90 percent higher than it was in 1999, some cities have home values that increased far more than that.

GoBankingRates conducted a study to determine where homeowners benefited the most in the past 20 years from rising home values by analyzing the median home values in more than 900 cities across the country. However, the home value increases do not account for housing costs, such as property taxes, home improvements, and maintenance, which can eat away at profits.

During the same time period, some locations where homeowners who have remained in their homes since 1999 have seen the value of their homes drop. For example, Flint, Mich. came in last given that home values have declined more than 57 percent to $19,300 from $45,300 in 1999.

Here is a list of the top 10 cities where home values have increased the most, also showing the 20-year percentage increase:

1. Miami Beach, Fla.: 414.60 Percent
2. Washington, D.C.: 403.90 Percent
3. Somerville, Mass.: 357.30 Percent
4. Santa Monica, Calif.: 332.50 Percent

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5 Mountain View, Calif.: 330.80 Percent
6 Oakland, Calif.: 328.00 Percent
7 Hoboken, N.J.: 318.40 Percent
8 Sunnydale, Calif.: 314.30 Percent
9 Santa Clara, Calif.: 305.40 Percent
10 Fremont, Calif.: 297.70 Percent

Barndominiums: The Next Trend in Residential Real Estate

A new home style trend is emerging known as a "barndominium." A barndominium, a dwelling that is part residence and part utility building, is designed to appeal to homeowners who want to live where they work.

The buildings are typically built from prefabricated steel structures and have all the amenities needed to create cozy interiors. Other barndominiums have been created from barns, prefabricated pole barns or buildings that were originally intended to become workshops.

Although the barndominium originated in Texas, it is catching on among homeowners in other states. In fact, the trend has become so popular that Chip and Joanna Gaines of the hit television show, "Fixer Upper," recently transformed a barn once used as a horse stable into a residential home.

The trend is also practical: steel buildings are cheap and offer a way for homeowners to live and work in the same space. Once they are converted into homes they can also be surprisingly chic and comfortable.

In a recent search, Realtor.com identified 10 barndominium listings currently on the market. Surprisingly, 4 of those 10 listings were not located in Texas. Barndominiums can be found in Michigan, New Mexico, Arizona, Missouri, Virgina, and Washington.

Best Day of the Year to Sell a Home? June 28th

Trying to time the sale of a home is not easy. While some sellers are forced to sell quickly, others have the luxury of choosing the most convenient time for them. For those who can wait, a new ATTOM Data Solutions report has revealed the best days and months of the year to sell a home.

The researchers obtained the findings of this study by analyzing more than 28 million single-family home and condo sales that took place in the past 8 years. Here are the five dates that offer sellers the greatest opportunity to achieve sale prices above market value:

- June 28 (10.8 percent seller premium);
- May 31 (10.7 percent);
- June 21 (10.7 percent);
- June 20 (10.6 percent);
- May 24 (10.5 percent).

The top 5 months to sell a home are:

- June (9.2 percent seller premium);
- May (7.4 percent);
- July (7.3 percent);
- April (6.4 percent);
- March (6.1 percent).

"Summer is a time for vacations and outings. So it's no surprise that it's also a time when people are most likely to move," says Todd Teta, chief product officer at ATTOM Data Solutions.

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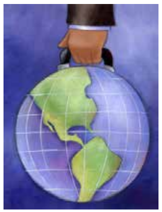
Foreign Buyer Investment in U.S. Real Estate Is Rising



Foreign buyers are increasingly turning to U.S. residential real estate markets in order to find long-term, stable investments, says Chris Marlin, the president of Lennar International in a recent interview with CNBC. According to a recent Gallup poll, 35 percent of Americans consider real estate to be the best long-term financial investment in comparison to just 27 percent of Americans who say stocks are a better investment.

There has been a decline in property investment in California among buyers from China, who are showing more interest in properties in Florida, Texas, and some East Coast states. Chinese buyers looking to invest in U.S. residential real estate are also moving away from luxury properties.

Foreign buyer interest in U.S. real estate has grown as a result of other countries, such as Australia, increasingly placing restrictions on real estate transactions involving foreign buyers, says Marlin. As a result, U.S. real estate has become appealing as a source of long-term, stable real estate investment.

Marlin also notes that consumer behavior among foreign buyers interested in U.S. real estate has previously been a “fair mixture” of seeking yield and self-use in the past few years. However, recently investors have been placing greater importance on security than yield. Marlin also predicts that Chinese buyers will return to investing in properties in California in greater numbers as U.S. trade talks with China progress.

Majority of Consumers Overestimate Difficulty of Qualifying for a Mortgage

A recent Fannie Mae survey of more than 3,000 people found that the majority of consumers believe it is much harder to qualify for a home loan than it actually is.

Respondents to the survey thought they needed much higher credit scores and bigger down payments than necessary. They also did not know much about the minimum debt levels required by lenders.

The survey found that while consumers are using online sources to obtain mortgage information, they did not know or overestimated the minimum credit score needed to qualify for a loan. While the minimum FICO score is 550, half of those asked were unsure, 32 percent thought it needed to be higher than 620, and 14 percent thought it needed to be higher than 680.

When it comes to the down payment required on a mortgage, 33 percent of consumers thought they needed more than the 3.5 percent minimum down payment actually required for a FHA loan.

“I think it’s because it’s a very infrequent transaction,” said Doug Duncan, chief economist at Fannie Mae. “Most buy a house or refinance maybe four to five times in their life. It’s not like your checking account which you check daily or your credit card account which are a regular part of your daily transaction of life.”

Mortgages the Most Satisfying Form of Debt for Consumers

A new study conducted by The Ascent, a financial services arm of market reporting website The Mot-

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ley Fool, asked more than 1,000 Americans about their debt. The purpose of the study was to determine how debt impacts consumers' overall satisfaction with their lives.

The researchers found that 86 percent of people who have mortgages reported being satisfied with their lives. However, auto loans came in a close second with 82 percent of respondents reporting being satisfied with their lives.

In contrast, only 64 percent of people who had medical debt reported being satisfied with their lives. This was the lowest percentage for any of the debt types examined in the study. People with student loan debt only reported being marginally more satisfied with 71 percent being satisfied with their lives.

Mortgages were also revealed to create less shame than other forms of debt. Just 57 percent said they were ashamed of having a mortgage, while 76 percent said they felt shame due to having medical debt.

The study's findings are good news for real estate professionals, as they are involved in helping people take on debt in order to purchase properties. Overall, it appears that borrowers universally agree that all debt is not the same and mortgages are generally considered to be a beneficial form of debt.

U.S. Opens Antitrust Probe of Residential Real Estate Industry

U.S. antitrust officials opened an investigation into potentially anti-competitive practices in the residential real estate industry. The focus of the investigation is on compensation made to brokers and restrictions on their access to property listings.

The probe, issued by the Justice Department to CoreLogic Inc., was detailed in a civil investigative demand. CoreLogic provides real estate data to government agencies, home lenders, and other housing-market firms.

The probe comes after a lawsuit was filed against the Realtors association and several real estate broker franchisors, including Realogy Holdings Corp. The claimants alleged that the firms conspired to prevent home sellers from negotiating the commissions paid to buyers' agents.

The residential real estate industry has faced long standing criticism that it stifles competition among real estate agencies. Opponents also allege that the industry protects agent commissions that are higher than those paid by sellers in other countries.

"We believe this case has no merit and have moved jointly with the other corporate defendants to dismiss the case," said Realogy spokesman, Trey Sarten, in an email. "Additionally, we have joined in NAR's motion to dismiss."

The Justice Department has yet to publicly comment on the matter.

Vacant Homes Sell for Less

An industry analysis has uncovered a way to give homes for sale an edge: wait to move out until there's a sales contract. Redfin conducted a study that found furnished homes sell faster and for more money than vacant homes.

The study examined sales price and time spent on the market for vacant homes compared to homes that sold while still occupied. The study found that occupied homes, including those that simply had the appearance of being occupied, remained on the market for six fewer days and sold for $11,306 more than empty homes.

However, the researchers note that the results may have been skewed by homes in foreclosure. Foreclosures are more likely to be

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vacant and the banks that own them are sometimes willing to accept less than market value. In addition, vacant homes in low-priced markets sell at larger discounts than occupied homes in more expensive housing markets.

Despite the findings of the study, there is one instance in which selling your home without furnishings could provide an advantage: if your home furnishings are outdated or do not fit the space. If this is the case, selling after the furniture has been removed may help to prevent buyers from making lower offers, says Billie Jean Hemerson, a Redfin agent in Orange County, Calif.

How Agents Can Create New Inventory Overnight

Most Realtors will tell you the inventory of homes available to sell is extremely limited in their market. Even with a market correction on the horizon, there simply aren't enough homes for sale.

However, here is a strategy to help you sell "to be built" homes to attract more buyers into your pipeline.

Search for Vacant Lots

Vacant lot listings are generally not part of the search criteria for most homebuyers because they cannot afford to buy a vacant lot and build a custom home. As a result, vacant lot listings often remain on the market much longer than existing homes.

If you want to increase your inventory by also selling vacant lots, partner with a small home builder and offer to co-market the vacant lots for them. Work with the builder to identify a house plan that works for the neighborhood and the vacant land.

Once the plan has been assembled, use photos of similar homes the builder previously completed to market the home as 'to be built' via the MLS and other online marketing channels.

This increases your chances of snagging a buyer who is looking for a new home. Since your agency is representing the builder, buyers will trust you know the product better than the competition. It is a win-win strategy where your buyer gets what they want and you get a commission from the builder.

Partner With Local Home Builders

Partnering with a local home builder is one of the best ways to attract buyers who are looking for a custom home. Although buyers might shy away from an existing home you have listed, with a custom-built home you can let them know they can customize their home to their needs.

Choose the Right Partners

The trick to making this inventory creation strategy work is that you have to find a partner that is neither too small nor too big. The builder needs to be able to price the homes accurately and be able to work with the buyer at the same time, which means that the builder cannot be too small.

However, a builder that is too large will be mostly focused on developing production neighborhoods which leaves your firm with much less room for negotiation. As a result, your ideal home builder partner is one that builds anywhere from five to thirty homes per year.

There are, of course, many more details and potential risks that you need to be aware of in executing this strategy. However, these are the basics to point you in the right direction.

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