



613 Baltimore Dr., Suite #1, Wilkes-Barre, PA 18702
info@tigerabstract.com



December • 2019

Volume 45 • Number 12

Top 10 Housing Markets with Declines in 2019

The U.S. housing market has seen solid gains for at least seven years now, ever since 2012 when home prices finally reached a bottom from the housing crash. However, as the U.S. economy enters its tenth consecutive year of expansion, several industries and market sectors are beginning to show weakness, notably housing.

A recent GOBankingRates study analyzed 500 cities to determine this year's underperforming housing markets, namely those with higher rates of foreclosures and underwater mortgages. The study also looked for changes in median listing prices, the number of days houses stayed on the market, and the percentage of for-sale homes that had reduced their listing price.

The study identified 50 housing markets that saw declines in 2019.

While there are significant geographic variations among the housing markets on the top 50 list, there are some trends. Many of the housing markets with the largest declines are in cities and states severely impacted by deindustrialization over the last four decades, namely Connecticut, Illinois, and Ohio.

Florida

Rust Belt states do not account for all of the housing markets in decline, however. Multiple markets in Florida also made the list. As a state that attracts more investors than homebuyers, many Florida cities are heavily populated and dependent on retir-



ees. These residents often decide to downsize or may move elsewhere to live with adult children.



Virginia

Many of Virginia's housing markets have high rates of homes with negative equity. According to Zillow, the overall percentage of homes in the U.S. that have negative equity is 8.2 percent. In comparison, Suffolk, Va., suffers an underwater mortgage rate of 14.8 percent. In Norfolk, 20.6 percent of homes have negative equity.

Illinois

Cities in Illinois accounted for nine housing markets out of the 50 noted in the study that are in decline. High property taxes are one of the biggest downsides to homeownership in Illinois with property tax rates above 3 percent in some areas.

Here is a breakdown of the top 10 housing markets that experienced declines in 2019:

Rank	City	State	Median list price	2-year price change	Percentage of underwater mortgages	Foreclosures
1	Peoria	Illinois	\$124,450	-15.9%	21.0%	1 in every 932 homes
2	Lakewood	New Jersey	\$252,000	-12.3%	9.4%	1 in every 1,187 homes
3	Portsmouth	Virginia	\$165,700	1.5%	19.4%	1 in every 730 homes
4	Columbus	Georgia	\$115,450	-10.2%	22.2%	1 in every 1,172 homes
5	Baltimore	Maryland	\$169,900	17.1%	26.5%	1 in every 1,376 homes
6	Miami Beach	Florida	\$499,000	-5.0%	14.5%	1 in every 2,374 homes
7	Norfolk	Virginia	\$220,000	3.3%	20.6%	1 in every 2,094 homes
8	Bridgeport	Connecticut	\$189,900	11.1%	26.9%	1 in every 1,453 homes
9	Aurora	Illinois	\$220,000	4.7%	11.8%	1 in every 1,491 homes
10	Hampton	Virginia	\$182,000	4.8%	19.9%	1 in every 2,148 homes

Climate Change Expected to Fuel More Home Buyouts



As sea levels rise, homeowners in coastal areas prone to flooding are expected to turn to the federal government, namely the Federal Emergency Management Agency (FEMA), in order to sell their homes.

While economic models have suggested that FEMA buyouts will get the most use with at-risk homes in poorer and less dense communities, a new study says otherwise.

The study, published in the journal *Science Advances*, found that over the last three decades a larger percent of the buyouts actually occurred in rich counties. Now researchers are concerned that a tool

intended to help the most vulnerable communities adapt to climate change will actually worsen economic inequality.

Researchers also found the majority of these buyouts do not occur in the states with the most flood damage, such as Florida. In fact, the states with the highest number of buyouts were actually Midwestern and Northeastern states.

"We saw an opposite effect of what you might think has happened in the last few decades," said Caroline Kraan, a University of Miami Ph.D. student who co-authored the study.

While Kraan says FEMA-funded buyouts have declined over time, the



Northeastern states continue to represent a larger fraction of those buyouts. However, experts say the FEMA buyouts will continue to be a key tool to adapt to climate change.

Millennials Ditch Expensive Metros for “Hipsturbia,” Says New Study



Millennials are ditching expensive metros for the suburbs. Yet many don't want to give up the fast-paced lifestyle of metros, giving rise to the growth of “hipsturbias.” The term, a mashup of “hipster” and “suburbia,” was first coined by *The New York Times* in 2013. It referred to the new chosen destinations of millennials who were migrating from pricey metros to outlying suburban communities and turning them into hipster hotspots, according to the *Times*.

Since then, communities like this have popped up all over the country to the point that a recent “Emerging Trends in Real Estate” report from the Urban Land Institute and PricewaterhouseCoopers identified hipsturbia as one of the top emerging real estate trends for 2020.

As rents rise, millennials living in city centers are relocating to hipsturbias because they offer walkability, ample public transit, restaurants and recreation. Some of the most prominent examples of hipsturbias across the country include Silicon Valley, Calif., Santa Clara, Calif., Evanston, Ill., Charleston, S.C., and Tempe, Ariz.

While hipsturbias are increasingly popular among millennials, they are also attracting seniors. Instead of moving into senior-only communities or moving to the city, these empty-nesters are moving to these areas as well. Other seniors, who were already residents of so-called hipsturbias, are downsizing and staying in the area.

Home Builders Optimistic, But Cautious



Thanks to lower mortgage rates, home builder sentiment has improved again. In October, home-builder sentiment rose to a 20-month high of 71, up three points from 68 in September.

The change in the index has been attributed to falling mortgage rates boosting the housing market. With lower mortgage costs and slowing growth in housing prices, there is new demand from homebuyers.

Builders are increasingly optimistic about the near future as well. Another index that forecasts expectations for the next six months also climbed to a 19-month high and is approaching a post-recession peak.

Sales of new and existing homes, as well as new construction, have all seen a revival since interest rates declined this summer. The 30-year fixed mortgage rate is now as low as 3.5, a steep decline from more than 5 percent in 2018.

“The second half of 2019 has seen steady gains in single-family construction, and this is mirrored by the gradual uptick in builder sentiment over the past few months,” said NAHB Chief Economist Robert Dietz. “However, builders continue to remain cautious due to ongoing supply-side constraints and concerns about a slowing economy.”

Housing Shortage Worsens As Low Mortgage Rates Continue



The demand for affordable homes continues to grow as the supply of homes gets even tighter. Thanks to a sharp drop in mortgage rates this summer, national housing inventory declined 2.5



percent in September, marking a sharper decline than August's 1.8 percent decrease, according to data from realtor.com

As a result of unseasonably strong demand for homes this summer, the supply of homes priced below \$200,000 is down 10 percent compared with one year ago. Investors have put pressure on the sector by accounting for a significant portion of housing transactions in this price range since the financial crisis. However, many homebuyers are also actively looking to buy and are having difficulty finding properties in lower end of the market.

Rates fell over the summer to an average rate of around just 3.5 percent by September. With the declining rates also came surging demand in the move-up market. The supply of homes priced between \$200,000 and \$750,000, which account for 60 percent of the market, flatlined in September. The supply of move-up homes is now also expected to drop in the coming months.

10 Amenities Most Desired by Millennial Buyers



A recent study done by the National Association of Homebuyers identified the features millennial homebuyers care about the most. Highest on the list were features that enhance convenience and comfort rather than traditional bells-and-whistles.

The top 10 items that the NAHB survey found were “desirable” or “must-have” include:

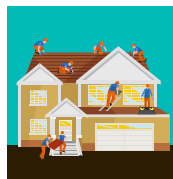
- * Laundry room (86 percent)
- * Hardwood floors (81 percent)
- * Patio (81 percent)
- * Garage storage (80 percent)
- * Walk-in pantry (79 percent)
- * Exterior lighting (79 percent)

- * Ceiling fan (79 percent)
- * Front porch (78 percent)
- * Table space for eating (78 percent)
- * Double sink (78 percent)

While a laundry room was the most preferred amenity for millennials, its desirability has been declining in recent years from 91 percent in 2007 to just 86 percent in 2018. The researchers also found the strong demand for a patio unusual given that it is a non-essential feature. However, the researchers did not provide any explanations for these changing preferences among millennial home buyers.

The good news? Even homeowners with older homes can satisfy these preferences.

U.S. Housing Starts Decline From 12-Year High



U.S. homebuilding fell from a 12-year high in September. However, single-family home construction increased for the fourth consecutive month. The report from the Commerce Department indicates that housing continues to be supported by low mortgage rates despite a slowing economy.

Housing starts decreased by 9.4 percent to a seasonally adjusted annual rate of 1.256 million units. At the same time, construction in the multi-family housing segment declined.

The report also revised home building data for August from 1.364 million units to 1.386 million units, marking the highest level for homebuilding since June 2007.

In a recent poll of economists by Reuters, housing starts were forecasted to decrease to a rate of 1.320 million units in September. Housing starts increased 1.6 percent on a year-on-year basis in September.



Building permits declined 2.7 percent to a rate of 1.387 million in September. Permits increased to a rate of 1.425 million units in August, marking the highest level since May 2007.

The housing market, while it remains sensitive to interest rates, has seen increased activity in recent months, which economists believe is the result of markets finally responding to the Federal Reserve's monetary policy easing. Mortgage rates have declined from the multi-year highs of 2018.

Immigrants Boost Home Values by 14 Percent in Metro Areas, Finds Study



The theory that rising immigrant populations lead to lower home values is in dispute with a new study released by Clever Real Estate, an online listing service.

According to the report, "The presence of authorized and unauthorized immigrants were both positively related to home values." On average home values increased \$.014 for each immigrant in an area. For example, "if a metro area has a median home price is \$150,000, we'd expect an additional 100,000 immigrants to increase home values 9% to \$164,000," said the report.

Researchers offered a variety of reasons for the correlation. First, an influx of immigrants may simply indicate increased demand for housing leading to higher home prices. It is also possible that an influx of immigrants is indicative of general economic trends attractive to immigrants as well as the direct impact of contributions from immigrants to the local economy.

The researchers analyzed data collected in 2007 and 2016 by Pew Research Center, Department of Homeland Security, and the U.S. Department of Justice

Millennials and Baby Boomers Believe Real Estate Holds the Key to Wealth, Finds Study



According to a new study conducted by Coldwell Banker, millennial millionaires and Baby Boomer millionaires have one belief in common: real estate is the key to wealth. The study focused on the small number of millennials, roughly 618,000, who have managed to become millionaires.

"Millennials understand from the past that most millionaires came from real estate, and they are following that trend," said Ralph DiBugnara, president of New Jersey-based Home Qualified.

Roughly 92 percent of millennial millionaires own property. In fact, on average, a millennial millionaire owns 1.4 million in real estate. This is 34 percent greater than the size of the real estate portfolio of the average millionaire across all generations from Baby Boomers to Gen Z, roughly \$900,000.

Millennial millionaires and Baby Boomer millionaires also share similarities in where they live. California (40 percent) and New York (14 percent) accounted for more than half the total population of millennial millionaires.

The study did identify a few differences from the older generations. Millennial millionaires prefer "markets that are more affordable" or "nontraditional luxury neighborhoods." Millennial millionaires also tend to be city-dwellers and value walkable neighborhoods with a vibrant sense of community.



Five Critical Skills Real Estate Professionals Should Master

Every day thousands of real estate professionals help clients buy and sell homes. However, some real estate



professionals stand apart from the rest because they are consistently successful in meeting their clients' needs.

To earn client trust and be truly successful real estate professionals need to develop critical skills. Not only do they need to be able to adapt quickly to changing market conditions, but they also need to have a long-term outlook and anticipate the future needs of their clients.

Here are five critical skills real estate professionals should master:

1 Understand Your Target Market

As a real estate professional, you should have an in-depth understanding of your target market. It is your job to not only sell your expertise to your clients but also to educate them about their options so they can make informed decisions.

2 Learn to Listen Effectively

The ability to listen effectively is critical as real estate is such a multifaceted field. Those who disregard the input of subject-matter experts run a higher risk of making poor decisions compared to those who take the time to listen thoughtfully.

3 Knowledge of Tech Trends

Real estate professionals need to know the latest tech trends and be able to integrate them into the real estate transaction. Today's clients want quick, affordable, and efficient real estate processes and their options are growing by the minute. If you

want to stay ahead of the competition, you must position yourself as a leader when it comes to tech.

4 Understand Where the Local Market Is Headed

A successful real estate professional should understand where the local market is headed for the next three to five years.

How are demographics in the area changing? Are people moving in or out of the area? Is the area attracting large employers and startups? How is the housing supply for the area? Are homebuyers or sellers likely to experience significant competition or will the market continue to work in their favor?

You also need to integrate your location-based perspective with a macro perspective on the economy to provide your clients with a comprehensive analysis of the market.

5 Understand Real Estate Cycles

Real estate professionals need to understand how real estate cycles work so they can find profitable deals for their clients regardless of the current position in the real estate cycle. While it is not always possible to time the market, even with certain indicators, when you have a firm understanding of where the market is at the given moment, you can help your clients make better, more informed decisions.

A successful real estate professional always looks for opportunities to help better serve their clients. A willingness to adapt and learn are the keys to becoming a successful real estate agent.





613 Baltimore Dr., Suite #1, Wilkes-Barre, PA 18702

*The Mark
of the Tiger*

Buyers and sellers use Tiger Abstract as their resource for professional title research and insurance. Tiger gives them assurance, confidence and the important details needed to close the deal. Customer satisfaction is a high priority and always will be.

When Tiger goes on the prowl, we find fast , accurate, timely answers to your questions. Expect accuracy and reliability. Expect security and resources. Expect strength and efficiency

These are the marks of Tiger!

For more information: Call, fax or visit us online:

570.821.4600 • 1.888.6TIGER8 (684.4378) • Fax: 570.821.9300

www.tigerabstract.com



The information presented and conclusions stated in this newsletter are based solely upon our best judgement and analysis of information sources. It is not guaranteed information and is not necessarily a complete statement of all available data. Web site citations are current at time of publication but subject to change. This material may not be quoted or reproduced in any form, including copy machines or any electronic storage or transmission medium, in whole or in part, without permission from the publisher. A special edition of Real Estate Digest is available for real estate agents specializing in commercial property or high-end residential, and for mortgage brokers. Please call 866-762-7879 to order your personalized copies today.