Real Estate Digest

TIGER ABSTRACT
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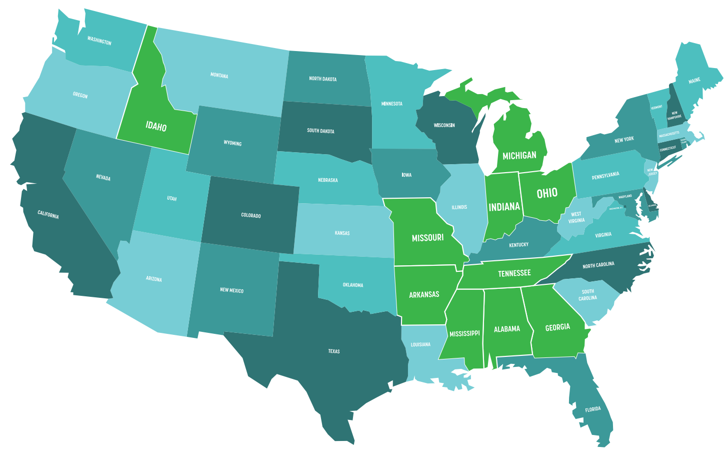
10 Best States for Real Estate Investors

As housing prices increase, the potential for great returns for investors has grown. In some states, housing prices are reaching levels that have not been seen since the financial crisis.

The personal finance firm GOBankingrates recently conducted a study using data from Zillow that reveals the top ten states where investors can earn the most.

Researchers looked at the average list prices of homes in each state's largest three real estate markets along with the one-year increase in median home values in each of those markets. The GOBankingrates researchers also adjusted their finds based on local purchasing parity data, using the value of $100 in each state, which was obtained from the Tax Foundation.

In some states, home values have surpassed growth in home prices, creating ideal buying conditions for prospective home buyers and investors. Different states also vary when it comes to the cost of living, which also increases buyers' purchasing power if living costs in the area are lower than in other parts of the country.



1. **Indiana:** Indiana ranks first on the list when it comes to having an affordable cost of living. It also has the cheapest average property prices, good home value appreciation and local purchasing power.
2. **Mississippi:** Mississippi offers the best purchasing power along with the lowest cost of living in the nation. For Mississippi's three largest real estate markets — Jackson, Gulfport, and Hattiesburg — the combined average home price is $191,633. The national

continued on next page

median is $275,000, according to data from GoBankingRates.

3 **Idaho:** Idaho ranks highly for aggressive growth in home values along with affordable prices. Home values in Boise, Coeur d'Alene and Idaho Falls grew by 13.5 percent, 15.6 percent and 8.6 percent, respectively. Rental rates are also increasing, especially in Boise area, where the rent increased to $1,400 in September 2018, an increase of $250 from September 2016.

4 **Alabama:** Alabama ranks highly as one of the cheapest states thanks to a low cost of living. In addition, the local purchasing power is nearly equal to that of Mississippi with a relative value of $100 equivalent to $115.47 in Alabama. Gulf Shores, Ala. also ranks as a top vacation destination.

5 **Missouri:** Missouri ranked fourth in lowest cost of living in the third quarter of 2018, according to data from the Missouri Economic Research and Information Center. In this state, the three largest real estate markets — St. Louis, Kansas City and Springfield — have a combined average home price of $202,900 and home value growth of 8.1 percent.

6 **Tennessee:** Nashville, Knoxville, and Memphis are the state's three largest real estate markets and have a combined average home price of $251,133. Home values have risen by 9.1 percent in the past year, accounting for one of the largest increases in the study.

7 **Arkansas:** Arkansas has been on the rise economically as of late. The state's GDP grew by 8.3 percent in the last three years, according to the Bureau of Economic Analysis.

8 **Ohio:** Ohio's three major real estate markets — Cincinnati, Cleveland and Columbus — offer affordable home prices and steady growth in home values. The cost of living in Ohio is below the national average.

9 **Michigan:** Since the financial crisis, Michigan has been working to diversify its economy away from the auto industry. Today, the top employers in Detroit include companies in health care and social assistance, manufacturing, real, and education services.

10 **Georgia**: Georgia ranked seventh in CNBC's Top States for Business. The state has low taxes and a skilled workforce. Home values have risen 8.8 percent in the past year. In Atlanta, average rent prices grew from $1,180 in September 2015 to $1,725 in September 2018, according to data from Zillow.

Government Shutdown Impeded Some Real Estate Activity, Says NAR

The partial federal government shutdown had a minor impact on the housing market, according to a new study done by the National Association of Realtors. NAR surveyed its members and found that 11 percent reported an impact on current clients while an additional 11 percent reported that the shutdown impacted potential clients. Notably, the study of 2,211 members also found that the majority of agents (75 percent) felt that the government shutdown had no impact.

Of the real estate agents who reported that they were impacted by the shutdown, 25 percent said they were affected by the government shutdown because of buyers who decided not to buy due to government uncertainty. This question specifically excluded federal government employees who decided not to buy. When asked about the impact of federal worker furloughs, nine percent of agents said that they were impacted by the government shutdown when a federal government employee decided not to buy.

However, there were also other factors that affected real estate activity during the shutdown as well. Roughly 17 percent of agents said they experienced a closing delay as a result of a USDA loan, 13 percent reported a delay caused by IRS income verification, and 9 percent reported a closing delay due to a FHA loan.

continued on next page

March • 2019 Volume 45 • Number 2

Falling Mortgages Will Stabilize Builder Confidence Says NAHB

Builder confidence for newly constructed single-family homes rose in January on the National Association of Home Builders/Wells Fargo Housing Market Index (HMI). The index saw a two point increase to 58, along with all other HMI indices which also saw gains. The index measuring current sales conditions climbed by two points to 63 and the component tracking expectations for the next six months rose by three points to 64.

The HMI tracks builder perceptions regarding current single-family home sales as well as future estimates and assigns a rating for each component. The scores are then used to generate a seasonally adjusted index with any value over 50 indicating that more builders have a positive outlook versus a negative one.

"Builders need to continue to manage rising construction costs to keep home prices affordable, particularly for young buyers at the entry-level of the market," said NAHB Chief Economist Robert Dietz. "Lower interest rates that peaked around 5 percent in mid-November and have since fallen to just below 4.5 percent will help the housing market continue to grow at a modest clip."

NAHB Chairman Randy Noel says that the slow decline in mortgage rates in prior weeks helped to stabilize builder confidence. As low unemployment rates coupled with strong job growth continues, he says housing demand should increase in the coming months.

Credit Reporting Changes for 2019

After the 2008 financial crisis, many lenders tightened their lending standards, making it difficult for some consumers to get financing. As a result, the credit-reporting industry has been changing the way it does business due to regulatory pressure and requests from banks and other lenders that want to make more loans available to more people, not only those deemed the most credit-worthy.

For example, Fair Isaac Corp., creator of the FICO credit score, plans to launch a new credit score in partnership with Experian that factors in consumers' history managing their checking and savings accounts, potentially raising the credit scores of consumers who keep several hundred dollars in their accounts and don't overdraw. All three major credit reporting firms — Experian, Equifax Inc. and TransUnion — have been removing information like tax liens and judgments from consumers' credit reports.

Experian PLC plans to launch a new service called Experian Boost sometime this year. To use this service, consumers must opt in and link the bank accounts they use to pay their cellphone and utility providers to Experian, allowing the company to track their monthly payments. Boost will also factor in landline-phone and cable-TV accounts. This is expected to help those with low or no credit scores due to a limited credit history, because paying phone and utility providers consistently could be a sign that they will be equally diligent about paying other bills as well.

This marks the first time U.S. consumers will be able to provide this data for their credit reports, and is the latest in a number of changes expected to increase credit scores for millions of consumers.

Homebuyers, Homesellers Lack Understanding of Real Estate Agent's Role

The majority of homebuyers and sellers believe that real estate agents work exclusively on their behalf. However, a new report from the Consumer Federa-

continued on next page

March • 2019 Volume 45 • Number 2

tion of America (CFA) has found this is not always true.

"Today, many homebuyers and sellers do not know whether their agent is representing their interests, those of the other party or those of neither," said Stephen Brobeck, a senior fellow at CFA and the report's author.

While most agents try to work ethically, Brobeck says that some do not. The report also found the majority of consumers don't understand the difference in real estate professions — from the agent to the subagent, transactional agent and designated agent roles.

Differing state laws have also contributed to the problem as some legal disclosures are only required to be given orally in some states and may not even be required during the early stages of a home purchase. State officials have not made much effort to enforce disclosure laws.

The report urges states to make reforms regarding disclosure documents, suggesting that dual agency representation be prohibited in all states, clearly written and verbal communication be given early on to explain the agent's role and fiduciary responsibility and that state real estate commissions work harder to develop more effective disclosure documents.

"More informed homebuyers and sellers will make better decisions. They will have a higher regard for, and complain less about, real estate agents," said Brobeck.

Millennials Are Not Buying Homes Due to Student Loan Debt

Student loan debt is having a major impact on first-time homebuyers. A new Fed study found student loan debt has contributed to the decline in home ownership over the past decade.

The amount that individuals aged 24 to 32 owe in education-related loans is estimated at $1.5 trillion. The Fed study found that while the decline in home purchases is not solely attributed to student loan debt, it is playing a major role.

"In surveys, young adults commonly report that their student loan debts are preventing them from buying a home," Fed researchers Alvaro Mezza, Daniel Ringo, and Kamila Sommer said in their study. "Our estimates suggest that increases in student loan debt are an important factor in explaining their lowered homeownership rates, but not the central cause of the decline."

The study looked at home ownership rates between the years 2005 and 2014. Overall, home ownership among Americans declined 4 percentage points from a peak of 69 percent in 2005 to a low of 65 percent in 2014. However, for those in the 24-to-32 age group, the home ownership rate plunged from 45 percent to 36 percent during this period.

During this same period, economists found that per capita college debt doubled from $5,000 to $10,000.

New Career Advancement Network Launched for Real Estate, Mortgage Professionals

Professionals working in real estate and mortgage lending need new resources to help them learn how to thrive in light of recent industry changes, according to industry leaders who have decided to launch the Industry Syndicate, a media network and community for professionals who work in mortgage lending, real estate, appraising, home building and other related fields.

The Industry Syndicate offers curated podcasts for housing industry professionals on topics related to tech, marketing, sales strategies, and Alexa Flash Briefings. The group also is planning a free members-only app that will offer a forum for participants to connect.

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Jason Frazier, a founding member of The Industry Syndicate and founder of The Agent Marketer, believes that the app will create a "peer-to-peer ecosystem" that will allow members to discuss growing their businesses in a new era of real estate and mortgage lending. He says trade associations have been unable to meet this demand because they have failed to offer their members fresh ideas on how to adapt in a changing industry.

"We believe that the industry is going to go through massive changes over the next 36 months," says Frazier. "This is where they can network with their peers who understand what's happening and have a vision of where this business is going."

The U.S. Real Estate Markets Where It Is Cheaper to Rent Than Buy

Buying a home is considered to be a rite of passage for many Americans. However, owning is not always the best decision in every market. A new study from ATTOM Data Solutions found that renting a home is more affordable than buying in 59 percent of U.S. housing markets.

In 442 of 755 U.S. counties analyzed in the report, renting a three-bedroom property turned out to be more affordable than purchasing a median-priced home. The data from the study was recorded in ATTOM's 2019 Rental Affordability Report.

"With home price appreciation increasing annually at an average of 6.7 percent in those counties analyzed for this report and rental rates increasing an average of 3.5 percent, coupled with the fact that home prices are outpacing wages in 80 percent of the counties, renting a home is clearly becoming the more attractive option in this volatile housing market," said Jennifer von Pohlmann, director of content and PR at ATTOM Data Solutions in a statement.

Here are the ten counties where the study determined renting is more affordable than buying:

1. Los Angeles County, Calif.
2. Cook County (Chicago), Ill.
3. Harris County (Houston), Texas
4. Maricopa County (Phoenix), Ariz.
5. San Diego County, Calif.
6. Orange County, N.Y.
7. Washington, D.C.
8. Orleans Parish, La.
9. Anchorage County, Alaska
10. Honolulu County, Hawaii

Zillow Offers to Expand into Five New Cities Later This Year

Zillow Offers will be available soon in five new cities: Miami, Fla., Minneapolis, Minn., Nashville, Tenn., Orlando, Fla., and Portland, Ore. Zillow expects the service to operate in these new markets by fall of this year.

Zillow Offers is a direct-to-consumer home buying and selling platform. Zillow first launched the service in Phoenix, Ariz. in April 2018. The company has since expanded it to several cities, including Las Vegas, Nev., Atlanta, Ga., Denver, Colo., Charlotte, N.C., and Raleigh, N.C.

"Since launching Zillow Offers just nine short months ago, we have been continually excited by the strong demand from homeowners throughout the country and are constantly getting asked when Zillow Offers will come to their market," said Zillow Brand President, Jeremy Wacksman, in a statement.

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As a part of the expansion, Zillow will recruit local real estate brokerages to participate in transactions in all of the markets in which it will operate. Zillow will also select specific agents who currently advertise via its Premier Agent program with the leads of sellers who do not participate in Zillow Offers.

As of the third quarter of 2018, Zillow Offers generated $11 million in revenue with Zillow purchasing 169 homes and selling 36.

How to Stay Cool When Your Real Estate Business Heats Up

Real estate agents are often multi-tasking so much in an effort to move their businesses forward that they sometimes become confused and overwhelmed, and can't keep up when things really start to take off. Burnout is common and can easily happen if you don't have a plan to deal with your emotions when you start to achieve your business goals.

Here are some tips to help keep you balanced and focused in your real estate business.

Manage Your Emotions: You can choose how you feel and react to situations. Recognize that it's normal to feel anxious and less grounded as your business starts to heat up. Sometimes, things happen that are out of your control and taking things too personally may cause you to respond negatively.

If something goes wrong or there are problems you can't easily solve, don't make the situation about you. Look for ways to stay focused on how the situation is making you feel and minimize its impact.

Instead of being discouraged by temporary setbacks, always take time to be grateful for the fact that your hard work is paying off and your business is growing. Remember, you are on the right path which is why you are experiencing new challenges in your business.

Enjoy the Outdoors: As easy as it may seem, many real estate professionals don't spend enough time outdoors. While there's plenty for you to do in the office, a quick walk outdoors can help to relax your mind. Outdoor exercise also provides some much needed vitamin D from the sunlight, which will elevate your mood.

Take a Break: Regularly invest time to just be idle. Relaxation apps, such as Calm or Headspace, are perfect for quick meditation sessions that you can benefit from in as little as five minutes per day. If you make an effort to relax and live a stress-free lifestyle, you'll find that you'll have more energy and creativity to put back into your business.

Hustle More: While you're probably thinking you're already putting in enough time at work, make sure you're using that time to stay on course to achieve the goals you've set for yourself.

Seek out new inspiration in your work endeavors. Congratulate yourself on your achievements. At the same time, strive to reach bigger and better goals.

Most real estate professionals have an innate desire to compete. Find someone who is really excelling at their job and work to reach their level. You can also find an accountability partner to help you stay on track to meet your business goals.

All professionals dream of the day when their career plans finally come to fruition. But while your real estate business is growing, plan to remain calm and enjoy the process. These helpful practices will help you stay focused and ensure your continued success.

more on next page

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