



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



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## Fall Housing Outlook Shifting Towards Buyer's Market

**M**ortgage rates have declined significantly over the past three years, which should be a positive signal for housing markets. However, the opposite effect is beginning to occur. Buyers have suddenly become more cautious about buying a home. Competition is starting to decline and sellers are attracting fewer offers.

While consumer sentiment improved in August, according to a monthly survey from Fannie Mae, it only did so thanks to a rise in the share of individuals who think mortgage rates will continue to decline. Other findings from the survey were not as positive. There were fewer people who think now is a good time to buy or sell a home. The number of people concerned about losing their job in

the next year also increased.

"Unfortunately, much of the lower interest rate environment can be attributed to global economic uncertainties, which appear to have dampened consumer sentiment regarding the direction of the economy," said Doug Duncan, chief economist at Fannie Mae. "We do expect housing market activity to remain relatively stable, and the favorable rate environment should continue sup-



porting increased refinance activity."

In some areas of the country, housing markets appear to be shifting toward buyer's market conditions. Kelley McMahon, a Dallas-area real estate agent with Compass, says she has noticed the trend. She says that appraisals have become more difficult and buyers are increasingly willing to wait it out.

McMahon said she also believes that the concern among buyers is not about the housing market itself, but the economy.



Overall, buyers are hearing rumors of a coming recession which has the potential to adversely impact their incomes. In addition, there is also the uncertainty of the upcoming 2020 presidential election which could significantly alter the country's economic and political climate.

### Buyers Becoming More Cautious

"I think people are a little more cautious to pull the trigger, and I definitely think that people want to get through the election year, just kind of see what happens," she added.

This sentiment is beginning to appear in many U.S. housing markets according to a Redfin monthly survey. Just over 10 percent of the offers that were written by Redfin in August encountered a bidding war. This figure was down a whopping 32 percent from a year ago.

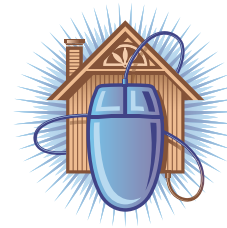
The supply of midrange and luxury homes available for sale is beginning to grow, even as the supply of entry level homes remains limited. Low rates matter most to entry level buyers because they have the least amount of available cash.

Although mortgage rates have remained near three-year lows, the low rates failed to provide enough incentive for buyers to enter the market over the past summer, says Daryl Fairweather, chief economist at Redfin. Recession fears among some potential buyers has caused them to put off the huge commitment of a home purchase, he added.

Despite declining competition among buyers over the past year, home prices rose over the past year. However, price gains are leveling off.

As of now, the market has not turned completely yet. For some buyers, low mortgage rates are still enticing and they want to take advantage of the potential savings. The average rate on the 30-year fixed mortgage is a full percentage point lower now than one year ago.

### iBuyers Cost Homesellers Thousands, Finds Real Estate Study



According to research conducted by real estate data firm Collateral Analytics, iBuyer home sales resulted in higher fees and lower-priced sales than properties sold by traditional real estate agents. Overall, the study found that iBuyers cost sellers around 13 to 15 percent of the home sale price. In comparison, homes sold by agents cost sellers only 5 to 7 percent.

"[The study] does not accurately compare the mentioned fees," says Cortney Read, director of communications for iBuyer Offerpad. "The real estate agent fees only include commission, while the iBuyer-mentioned percentage fees seem to include many other costs that should also be reflected in the traditional real estate agent percentage amount."

Despite the findings of the study, iBuyer revenue growth data shows that sellers are still willing to pay a premium to use an iBuyer service. RedfinNow — the iBuyer arm of real estate firm Redfin — generated nearly \$40 million in revenues last quarter, which was a 343 percent increase in just one year. There are also dozens of other iBuying services that sellers can choose from.

Stephen Brobeck, senior fellow at the Consumer Federation of America, recommends that homeowners shop around among both iBuyers and traditional agents before making a decision. Agent commissions are negotiable and iBuyer fees vary from company to company so sellers have options.



## Older Adults Plan to Age in Place Rather Than Downsize



A survey from Chase Home Lending and Pulsenomics uncovered that Baby Boomers are planning to age in place rather than downsize to smaller homes. According to the data, 56 percent of seniors said they plan to stay in their current homes. In addition, more than half of Boomers reported they do not expect to purchase another home.

Only 10 percent of seniors say they have started making home modifications to prep for aging in place. Nearly 75 percent said that they plan to wait to see what is needed first.

However, much of the sentiment towards aging in place may be driven by rising housing costs. A new study from real estate provider Property Shark found that roughly 33 percent of adults age 45 or older struggle with housing costs. The rate is even higher for lower-income individuals. Among older adults earning \$20,000 to \$40,000 per year, 42 percent said that they have experienced difficulty with covering housing costs.

Of the Chase Home Lending and Pulsenomics survey respondents who expressed a desire to move, roughly 30 percent said they will downsize while only one in ten seniors plans to move into a retirement community. The majority of survey respondents who plan to move reported they want a home that is 1,500 square feet or smaller.

## Older Millennials Drive Home Prices Higher



Millennials may have waited longer than previous generations to buy homes. However, many are now showing a strong interest in becoming homeowners, especially older millennials. This is increasing

demand for homes at a time when inventory in many markets is already severely limited.

Housing markets declined significantly during the third quarter of 2018 as mortgage rates edged higher. The supply of homes began to increase during winter 2018 and the first quarter of 2019, after which rates began to decline again. These market changes encouraged millennials to return to the market.

More than 25 percent of the country's largest generation reported they would prefer to buy a home within the next year, during the first 6 months of the year, according to a survey conducted by CoreLogic with RTi Research. However, supplies are declining once again.

"A growing number of millennials are expressing an interest in buying homes, reinforcing the theory that this cohort is continuing to engage within the housing market," said Frank Martell, president and CEO of CoreLogic. "But, with so few homes available for sale, the imbalance has created an affordability crisis that is getting worse every day. Demand exceeds supply and we're unsure of when the two will balance out."

## Proximity to Certain Retailers Increases Home Values, Finds Study



Many residents find it convenient to live near a Trader Joe's, ALDI or Whole Foods. A new real estate study has found that proximity to certain retailers may also increase home values.

Analysts at ATTOM Data Solutions, a California-based real estate information company, compiled lists of the store locations of more than 1,800 Trader Joe's, ALDI and Whole Foods grocery locations. Then they compared the current average home values, current average home equity, home seller profits and price appreciation for homes in the same zip codes as the store locations.



By looking at the data over one year and five years, the analysts discovered that nationally homes located near these grocery chains were worth more on average. They found that homes located near a Trader Joe's generated the highest return on investment over five years — at 51 percent. Homes near a Whole Foods produced a 41 percent return on investment. And homes located near ALDI saw a 34 percent return on investment.

While the report does not conclude that home values increase or decrease based on the presence of these specific retailers, readers of the report will probably make that assumption.

"Our intent with this analysis is to share the data associated with these stores," said Jennifer von Pohlmann, an ATTOM spokeswoman.

## Redfin Begins to Publish Agent Commissions on Listings



A new study from Redfin found that more than 50 percent of recent homebuyers lack a full understanding of how their real estate agent gets paid. As a result, the online brokerage has decided to publish the commissions of buyer's agents on some of the company's real estate listings. The commission will be published on the property detail section of each home listing.

Typically, the seller is responsible for paying the commission for the realtor on both sides of the transaction. A percentage goes to the agent for selling the property and the buying agent also receives a commission.

The survey also uncovered that people who have purchased a home in the past were often more knowledgeable about how agent commissions work.

Seller commissions are usually disclosed to them. However, the amount of commission earned by the buyer's real estate agent may be hidden from them.

With so many buyers starting the home search online, Redfin says that publishing the commissions will bring greater transparency to real estate transactions. For now, the buyer's agent commission will only be published on listings where a Redfin agent is the listing agent.

"Across the country, the Multiple Listing Services that agents use to share listing data are now considering whether to follow the lead of the Seattle-area MLS and let brokerage websites publish the commission each listing pays a buyer's agent," said Redfin CEO Glenn Kelman. "But with more than 20,000 homes listed for sale each year by a Redfin agent, Redfin doesn't have to wait for the MLS to give us permission to show the commissions offered to buyers' agents on our own listings."

## The 5 Least Expensive States to Buy a Home



SmartAsset analyzed property costs including the following criteria: median home value for the lowest one-third of homes, median listing price, median listing price per square foot, average closing costs, and property tax rate. After reviewing the data, the researchers weighed each metric equally in order to find the average ranking for each of the states included in the study. (Due to insufficient data, Delaware and Louisiana were omitted from the study.)

Here are the states where it is the cheapest to buy a home right now:

- 5 Oklahoma.** Median list price: \$193,000  
Median list price per square foot: \$106.17  
Average effective property tax rate: 0.89 percent



- 4 Mississippi.** Median list price: \$189,000  
Median list price per square foot: \$95.75  
Average effective property tax rate: 0.78 percent
- 3 Alabama.** Median list price: \$219,900  
Median list price per square foot: \$103.38  
Average effective property tax rate: 0.40 percent
- 2 Arkansas.** Median list price: \$179,900  
Median list price per square foot: \$101.19  
Average effective property tax rate: 0.61 percent
- 1 West Virginia.** Median list price: \$169,000  
Median list price per square foot: \$98.38  
Average effective property tax rate: 0.57 percent

## These Cities Are the Best Places to Retire in the U.S.



Personal finance website WalletHub conducted a study to rank 182 U.S. cities by retiree-friendliness in order to compile its 2019's Best & Worst Places to Retire. The study provided a comparison of the cities by analyzing 46 key metrics, from taxpayer-friendliness for retired individuals to cost of living and the quality of local health care.

Overall, the best cities for retirees appear to be located in the Southeastern or Mountain states. The cities that ranked last on the list are mostly located in California and the Northeast. The locations that ranked the lowest tend to have high housing costs and taxes, which adversely affect seniors who live on fixed incomes.

Some of the highlights from this study include:

**Most seniors:** Pearl City, Hawaii, has the highest percentage of seniors in the country. Currently, 23.3 percent of the population is age 65 or older.

**Lowest cost of living:** Laredo, Texas, has the lowest cost of living at an adjusted cost of living index of 76.28 — compared to San Francisco, the highest at 195.49.

**Home health care:** St. Louis, Mo., ranks number one for the most home health-care facilities per 100,000 residents.

The cities that ranked in the top five as the best places to live for retirees are:

- 1** Orlando, Fla.
- 2** Tampa, Fla.
- 3** Scottsdale, Ariz.
- 4** Charleston, S.C.
- 5** Miami, Fla.

## U.S. Mortgage Debt Marks New Record, Exceeds 2008 Peak



U.S. mortgage debt rose to a new high in the second quarter, surpassing the previous record set during the global financial crisis of 2008. The mortgage debt figure increased by \$130 billion to \$474 billion.

“The big picture is that when you look at mortgages, which is the biggest piece of [household debt], it still looks pretty healthy,” said Michael Feroli, chief U.S. economist at JPMorgan Chase, who also noted that incomes have also increased.

This milestone for mortgage debt is the result of many changes. Americans' mortgage debt decreased by roughly 15 percent following the peak of the financial crisis. It bottomed out during the second quarter of 2013, after which it has subsequently continued to rise.

Total household debt has increased since mid-year 2013. It increased by 1.4 percent from the first quarter to \$13.6 trillion, mark-



ing 20 consecutive quarters of increases.

Notably, the image of household debt today is significantly different than it was 11 years ago. It is the result of lending standards which are much stricter today combined with significantly less delinquent debt.

During the second quarter of 2019, there was a steep drop in the 30-year mortgage rate, which increased the borrowers' incentive to take out a mortgage or refinance. The average rate of a 30-year fixed-rate mortgage declined to under 4 percent for the first time since 2018.

## How to Find Your Niche As a Real Estate Agent



Finding a niche can mean working only with certain types of clients, namely buyers or sellers, to specializing in a type of property or geographical area. As an agent in a competitive marketplace, it never hurts to stand out as a professional who is deeply knowledgeable in a particular area.

If you are trying to find a niche that is both profitable and enjoyable, here are a few tips to help you figure out what will work best for you.

**Specialize in a Single Location.** Specializing in a single geographic location has been very profitable for some agents. Narrowing down your focus to a particular area works especially well when there are many properties for sale within a small distance, such as within a subdivision.

**Client Niche.** Some agents have built their businesses by only working with sellers and focusing exclusively on listing properties. Other types of clients you might want to consider for a niche include first-time homebuyers.

**Working with Luxury Properties.** An agent typically only gets the opportunity to specialize in luxury properties after establishing a

reputation in a particular market. Luxury property transactions generally require an agent who has a high profile in the community. If you have been in the real estate industry for some time, this may be an option for you.

### **Rental Property Management.**

With the rise of vacation rental sites like VRBO and Airbnb, managing short- and long-term rentals for clients has proven very lucrative for some agents.

Agents who seek clients who want to buy and sell vacation rental properties can collaborate with a property management company to help the homeowners rent out their investment properties for income.

**Distressed Properties.** The distressed property niche became a lot more popular among agents following the housing crisis beginning in late 2006 and early 2007. While markets do eventually turn around, agents can still make the most of bad economic times by specializing in this niche.

**Fixer-Uppers.** Another type of niche client that agents can seek out is the "flipper." These clients can provide a steady stream of business if you know how to find distressed properties at the right prices.

**Property Niche.** There are many agents who choose to only work with certain types of properties. You can decide to only work with commercial properties, buying and selling office or industrial spaces. Some agents only work with residential real estate, namely single family or multi-family homes. You can even specialize in farms or land sales in rural locations.

**Internet Buyers and Sellers.** There are many clients who conduct the majority of their property research online. More than 70 percent of clients admit that they almost always sign on to work with the first agent who contacts them. By optimizing your real estate business using digital marketing, you can stand out as a real estate agent who specializes in helping internet buyers and sellers.



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