Real Estate Digest

TIGER ABSTRACT
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Foreclosure Crisis Unlikely As COVID-Era Mortgage Protections End

The number of borrowers in government and private sector COVID-era mortgage bailout programs is quickly declining.

High levels of home equity, thanks to rising home prices, have put borrowers in a far better position than they were when the pandemic started. As of the second week of September, the number of active mortgage forbearance plans declined by more than 5 percent from the week earlier, according to a report from Black Knight, a mortgage data and analytics firm.

The decline was mostly due to August plan expirations. Borrowers were given up to 18 months of forbearance upon entry into the programs and now those expirations are starting to occur. The 400,000 plans expiring in September consist of borrowers who enrolled in programs during the peak of the forbearance allowances in March and April 2020.

There are still 1.618 million borrowers in forbearance programs, which is roughly 3.1 percent of all mortgages. The total unpaid balance of these mortgages is $313 billion. Only 2 percent of these remaining have troubled payments with less than 10 percent equity in their homes, not including their missed payments. Given the market's current condition, the majority would still be able to sell their homes and pocket profits.

Strong equity positions in these properties have helped to limit the volume of distressed properties getting placed on the real estate

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market. These homeowners are also motivated to resume making mortgage payments.

The amount of equity for homeowners increased by an overall $1 trillion in the second quarter of 2021. Fast-rising home prices have pushed up the level of home equity nearly $3 trillion to $9 trillion.

The latest data from CoreLogic in July shows home prices rose 18 percent from July 2020. In some states such as Idaho and Arizona, gains were even larger at 33 percent and 28 percent respectively.

Home prices continue to appreciate as millennials enter their prime home buying years. Renters looking to own, and investors are also driving demand, said Frank Martell, president and CEO of CoreLogic.

Even with sky-high prices and gains in equity, foreclosure starts have increased 27 percent from July, up 60 percent from August 2020. As expected, this foreclosure activity increased at the same time the federal foreclosure moratorium expired. However, this does not mean markets should anticipate a flood of distressed properties, said Rick Sharga, executive vice president at RealtyTrac. Foreclosure rates have been much lower during the pandemic than previously.

Sharga anticipates foreclosure activity will increase in the next three months. This will be the result of loans that were in default prior to the enactment of the pandemic-related foreclosure moratorium. States are also in the process of catching up with months of backlogged foreclosure filings that were not processed during the early months of the pandemic.

Foreclosures will merely get back to or stay below normal levels for at least through the end of 2021, added Sharga.

5 Factors That Increase Home Resale Values

The resale value of a home ultimately depends on the economy. However, realtors agree that answering the following questions affirmatively can improve the resale value of a home.

1 Is the Neighborhood Lively?

If you buy in an area that is not well developed and lacks good infrastructure, such as nearby shopping, you are less likely to get a high rate of return on the home, says Realtor Patricia Vosburgh. Homes in a walkable neighborhood with plenty of amenities are more likely to sell faster and for more money.

2 Is the Home on a Quiet Street?

Realtors generally recommend against buying a home on a busy street or purchasing a home surrounded by commercial properties.

3 Is the Home in Good Condition?

When the roof, water heater, HVAC system, windows, and foundation are new or in good standing these are good signs, says real estate agent Lukasz Kukwa. The condition of the plumbing and electrical systems is important, too.

4 Are the Schools Excellent?

A home located in a good school district has great resale value even if the buyers personally do not have children.

5 Does the Property Have Good Light?

A property with good light will sell well because good light creates a feeling of embracing and belonging, says Noemi Bitterman, a real estate broker in New York.

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Why Price per Square Foot Standards Vary by Location

Comparing a home's cost per square foot with the neighborhood median cost per square foot helps determine if a home is a good deal or is overpriced.

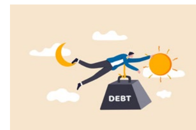
Since there are no official laws that govern the process of measuring and calculating the residential square footage of a home, there are often discrepancies in the final figure.

The standards for measuring and calculating residential square footage are maintained by the American National Standards Institute (ANSI). However, the lack of regulatory compliance mandates means that compliance with ANSI guidelines is completely voluntary. While one seller might include an unfinished basement or garage in the home's overall square footage, both of which are not acceptable according to ANSI standard, another may not.

This can make accurately comparing homes by price per square impossible. Other things a seller might leave out of their square footage figure include unusable buyer space, which means a home may indicate less square footage but actually give the homeowner more space.

For homes that do not list square footage, homebuyers can contact the county tax assessor to access the property's tax records, public documents that will specify the square footage. For homebuyers, unless the homes are completely uniform, price per square foot should not be a lone deciding factor.

Homebuyers Are Not Actually Paying More Than They Can Afford



In today's housing markets, homebuyers seem to fall into two categories: uber-rich or, after spending all their savings buying a home, house poor. Despite rising home prices, a new study found buyers are not actually overextending themselves like they did in the run up to the housing crisis of 2007, according to a new report from Realtor.com.

In May, homebuyers put roughly 21 percent of their pre-tax household income toward monthly mortgage payments. While this is higher than the monthly average of 19.6 percent of pre-tax household income over the past decade, the study indicates most homebuyers are not paying more than they can afford for a home.

The general rule is that homeowners should not spend more than a third of their income on housing. As a result, another housing bubble sparked by homeowners unable to afford their mortgage payments is unlikely. The key factor in keeping mortgage payments reasonable is interest rates, says Realtor.com economist Jiayi Xu. A lower interest rate allows buyers to have a larger budget and make monthly payments lower.

Compared to the Great Recession, unqualified buyers are no longer able to get loans which means today's buyers earn more, have higher credit scores, and are typically in good financial shape. Another foreclosure crisis is unlikely despite record-high home prices.

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New Low in Bidding Wars for Redfin Agents' Home Offers

Competition in the housing market is starting to slow down because of sky-high asking prices and the usual seasonal slowdown. In August, 58.8 percent of home offers written by Redfin agents faced competition, marking a record low for 2021. This is a decline of nearly 4 percent from July and nearly 16 percent from the peak of 74.3 percent reached in April.

Redfin considers an offer part of a bidding war if an agent reports having received at least one competing bid. Redfin first began to record bidding-war data in April 2020 and the current data is still subject to revision.

While the seller's market continues, buying a home became slightly easier for buyers as the inventory shortage is no longer intensifying and the market has entered a seasonal slowdown. Home price growth has also stabilized after months of record gains. In the four weeks ending September 5, 50 percent of homes sold above their listing prices, down from the peak of 55 percent in July.

Raleigh, N.C., had the highest bidding-war rate with 86.7 percent of offers written by Redfin agents facing competition during the month of August. San Francisco, Calif (70.7 percent), Tucson, Ariz. (70.5 percent), Cincinnati, Ohio (70.4 percent) and Salt Lake City, Utah (68.1 percent) had the next highest bidding-war rates.

Profits Declining for Home Flippers

A new study found home flipping has become more difficult due to low supply, high home prices, and a run on housing sparked by the coronavirus pandemic.

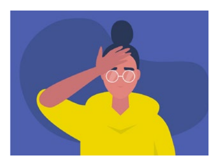
In the second quarter of this year, roughly 80,000 single-family homes and condominiums were flipped, according to property database Attom. This represents nearly 5 percent of all home sales. While the volume of flipped homes remains lower than the average for the past decade, it marks the first increase in flipping in over a year.

The gross profit for a typical home flip rose to $67,000 in the second quarter as home values rose. However, the return on investment (ROI) after factoring in all the costs of the flip declined.

In the second quarter, the ROI was just 33.5 percent, a decline of nearly four percent from one quarter earlier. Year over year, the return was down nearly 7 percent from 40 percent in the second quarter of 2020. Investors are now averaging the lowest returns since 2011, which marked the height of the subprime mortgage crash.

While a 33 percent profit on a short-term investment is not bad after renovation and hosting expenses, a few more periods like the one that occurred in the second quarter of this year could cause investors to rethink how they look at these deals, said Todd Teta, chief product officer at Attom.

3 Big Mistakes to Avoid Before Buying a Home



In today's competitive marketplace, buyers must act strategically to land the property they want. Mistakes can cost buyers dearly when buying a home. Here are the top credit related mistakes home buyers make and how to avoid them.

1 Financing a Large Purchase

A large purchase such as a car or new furniture and appliances can show up on the buyer's credit before their new mortgage closes. Not only does a large purchase affect the buyer's FICO score, but it also increases their debt-to-income ratio (DTI), putting their mortgage loan approval at risk.

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2 Maxing Out Your Credit

Maxing out a credit card is one of the biggest mistakes a buyer can make before closing on a home loan. The actual debt matters far less than how much the borrower owes relative to their credit limits. To obtain the best mortgage rate, potential borrowers should only utilize 30 percent or less of their total credit limit.

3 Quitting Your Job

Job changes can trigger lending issues especially if the pay structure of the job goes from salary to commission. Salary to hourly changes can also cause problems. The best course of action is for the buyer to have consistent employment history of two years or more in the same line of work or at the same employer.

5.5 million Additional Housing Units Needed by U.S. Housing Market

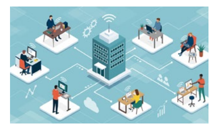
New home construction has declined so much in the past 20 years that it is now 5.5 million units short of long-term historical levels, according to a new NAR report. The industry lobbying group hopes the study's findings will persuade lawmakers to include housing investment in any infrastructure package.

U.S. builders averaged 1.225 million housing units each year from the years 2001 through 2020, according to the NAR report. This figure is lower than the annual average of 1.5 million new units built from 1968 to 2000.

The 5.5-million-unit deficit in new housing translates to roughly two million single-family homes, 1.1 million residential buildings with two to four units, and 2.4 million buildings of five units or more. The scale of the problem is so large that affordable housing is needed at market-rate in both the single-family and multifamily categories, said David Bank, senior vice president of Rosen Consulting Group and one of the report's authors.

From 2010 to 2020, the report found new-home construction had a deficit of 6.8 million units which was short of the number of units needed to help meet the demand of household-formation growth and to replace units destroyed in natural disasters or affected by aging.

Impact of Remote Work on Housing Market



Professionals allowed to work remotely are relocating to mid-tier cities across the country, creating a climate of high demand for housing amid low supply.

With millennials entering their prime home-buying years and baby boomers downsizing, the U.S. housing market was experiencing challenges well before the start of the COVID-10 pandemic. A pandemic-induced frenzy for homes, historically low mortgage rates, and the ability to work from anywhere have contributed to the squeeze. In a study conducted by Moody's Analytics, credit card data collected by the firm showed the pandemic has accelerated migration from high cost of living areas in expensive cities to more-affordable areas.

A homebuyer survey conducted by Realtor.com confirmed that more than half of all recent homebuyers prefer remote work. Just under half of respondents said their employers will allow them to work remotely once the pandemic subsides. In the same survey, 16 percent of respondents said they are more willing to have a longer commute now with 22 percent of millennial respondents reporting they would extend their commutes if necessary.

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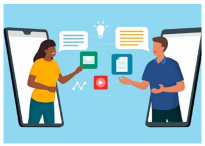
Tips to Help Real Estate Agents Reach More Clients with Social Media



Social media is a great way for real estate agents to stand out online. With a little effort and creativity, you can build a following and raise awareness about your brand, provide open house events for your listings, and more.

Short-form video content is perfect for channels such as Instagram Reels and TikTok.

Here are some top tips for reaching real estate clients on social media.

1 Build a Personal Connection

Do not use social media to sell. Instead use it as a means of connecting with potential clients in a personal way.

2 Create Quality Content

Quality content is the best way to attract followers on social media. Anytime you discover a good tip to pass to potential customers, take a short video on your phone and share it. Make it a part of your daily routine.

3 Create Memorable Moments

Social media is the best way to attract Gen Z and millennial clients. As a result, some leasing offices have come up with ideas for memorable moments that clients can capture and share on Instagram.

4 Provide Real Value

Make sure your social media posts consistently provide value with videos, articles, and news you can use to demonstrate you are an expert in your field. This content will also help you consistently stand out in front of your ideal audience.

5 Keep Your Audience Engaged

Make sure to educate and not alienate your audience by giving them the facts on the subject matter. Keep the information concise and approachable. If you can't grab their attention within 15 seconds, most viewers will not stick around for the rest.

6 Become a teacher

Your job is to teach your followers, not sell to them. Help your client achieve their goals instead of focusing on what you think you can get out of them.

7 Make Sure That Your Content Is Effective

Video content is the best way to increase engagement with followers, so you need to get comfortable being on camera. Focus on creating lifestyle content your target audience can relate to.

8 Get to Know Your Followers

Your goal is to build rapport and convert your followers to clients, but it all depends on them trusting you first. Get to know your target clients' pain points, frustrations, dreams, and interests to create content that your audience will love.

9 Use Your Creativity

With social media channels, there are so many ways to showcase your brand and your listings. Make sure to make an authentic effort that showcases who you really are.

10 Post Consistently

Consistency is the most important factor in social media success. Social media should be used to boost name recognition and have your audience associate real estate with your brand.