Real Estate Digest

TIGER ABSTRACT
INTELLIGENT BUSINESS RESEARCH
613 Baltimore Dr., Suite #1, Wilkes-Barre, PA 18702
info@tigerabstract.com

January • 2021 Volume 47 • Number 1

Home Prices Rising Across U.S.

Home prices rose across the entire U.S. real estate market during the third quarter, as the pandemic stimulated real estate activity to a pace that has not been seen in recent years. While some of the increased activity could be attributed to pent-up demand from the start of the pandemic, there were also other factors at work, namely limited inventory and low mortgage rates.

The median price for existing homes in all 181 metro areas tracked by the National Association of Realtors was higher in the third quarter than a year earlier. This is the first rally across all single-family home segments since at least 2000 with every metro posting an annual price increase during the same quarter.

Record low mortgage interest rates have encouraged homebuyers to enter the market. An ongoing inventory shortage, which affected the market prior to the start of the COVID-19 pandemic, has fueled com-

continued on next page

petition among buyers and caused bidding wars. Existing home sales also rose in recent months and reached a seasonally adjusted 14-year high as of September.

Prices rose by double digits in roughly two-thirds of the metro areas tracked by NAR. The largest gains for home prices occurred in Bridgeport, Conn. where the median price climbed 27.3 percent and Crestview, Fla. up 27.1 percent. Nationwide, the median single-family home price increased 12 percent year over year to $313,500.

As for the regions of the U.S. where home sales were the most competitive, the West had the fewest number of homes for sale. This means buyers had to compete for limited inventory, which pushed up prices and helped homes sell faster.

The gains show the housing market actually benefited from the coronavirus pandemic, said Ralph DeFranco, global chief economist at Arch Capital Services Inc. Demand remains hot for both larger homes and also second homes. He also believes part of the demand came from millennials moving from rentals into homeownership.

The metros with the largest home price gains have two things in common. They contain larger properties and open space, allowing families to more comfortably stay at home.

“Americans are viewing their home as something more than what it was before,” as they spend more time at home due to the pandemic, said Yun. “Right now there is a greater interest for larger-size homes, and naturally they are more expensive.”

Low mortgage rates have helped to somewhat offset the steep home price gains. The average rate of a 30-year fixed rate mortgage was 2.84 percent in the second week of November, an increase of 0.16 percent from the first week of November. This was a decline of roughly one percent from a year earlier, according to data from Freddie Mac.

However, mortgages are unlikely to decline further as positive news about the coronavirus vaccine is increasing investor confidence, says Lawrence Yun, chief economist at NAR.

The low mortgage rates also did not keep housing payments from rising. Monthly housing payments reached a median $1,059 on a typical single-family home. This translates to homeowners needing to earn an income of at least $50,819 in order to afford the monthly payment.

Foreign Investors Poised to Flood U.S. Real Estate

The travel restrictions due to COVID-19 greatly reduced foreign investment in U.S. real estate in 2020. This has resulted in huge pent-up demand among wealthy foreigners looking to buy property in U.S. metros. Cities whose economies were the most impacted by the coronavirus pandemic can expect to see a fresh round of interest in high-end real estate in 2021, say analysts.

Foreigners are making inquiries into U.S. residential real estate at a growing pace according to law firms and asset managers who specialize in helping wealthy foreigners obtain investments in the United States.

“We had half a dozen people who were just waiting” to see the election results before seeking an EB-5 visa, said Mona Shah, head of the law firm Mona Shah & Associates Global, a firm specializing in this type of visa. “People are willing to come in and invest in the United States again.”

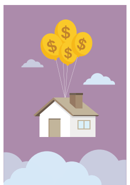
Aside from pent-up demand due to COVID-19, foreign investors consider the U.S. real estate investment outlook for 2021 less risky due to the changing presidential administration in 2021.

While some buyers are sticking to the most internationally well-known U.S. metros for real estate investments, including New York, Los Angeles and San Francisco, others are exploring smaller cities in secondary markets.

continued on next page

January • 2021 Volume 46 • Number 1

Record High Share of Homes Selling Above List Price



More than one-in-five homes sold nationwide in September went for more than the asking price according to data from Zillow. 22.4 percent of homes sold above list price, marking the most homes sold above list price in any month since January 2018, the earliest month included in the Zillow analysis.

The number of homes that sold above list price doubled in some cities including Phoenix, Ariz., San Diego, Calif., Denver, Colo., Virginia Beach, Va., and Riverside, Calif.

Gains in the number of homes that sold above list price were also present in all market segments as well. However, sales above list price were most common for homes priced around the typical September U.S. home value of $259,906. Roughly a third of homes, 28.2 percent, priced in the second quintile of all U.S. home listings — between $192,001 and $264,000 — sold above list price.

At the higher end of the market, it is common for homes to generate fewer offers above list price. However, even in the luxury home segment, buyer competition was fierce. Roughly one in six (15.7%) of the homes in the most expensive segment, those properties priced above $487,001, sold above list price in September, up from 10.5 percent in 2019.

Double-digit Q3 Home Price Gains for Majority of U.S. Metros

Sixty-five percent of metros saw double-digit year-over-year price growth in 2020's third quarter. In comparison only 15 metro areas saw double-digit price increases in 2020's second quarter.

The nation's median existing single-family home price rose 12 percent year-over-year to $313,500. All four regions of the U.S. saw double-digit year-over-year home price gains. The highest gains were in the West (13.7 percent), but followed closely by the Northeast (13.3 percent), the South (11.4 percent), and the Midwest (11.1 percent). At this pace, home prices grew four times as fast as the median family income, which grew just 2.9 percent.

All but two of the 10 most expensive metro areas in the country are located in the West. The top five most expensive metros in the West were San Jose, Calif. ($1.40 million); San Francisco, Calif. ($1.125 million); Anaheim, Calif. ($910,000); Urban Honolulu, Hawaii ($866,200); and San Diego, Calif. ($729,000).

As of the end of the third quarter, there were just 1.47 million existing homes available for sale, marking a 19.2 percent year-over-year decline in total inventory. As of September 2020, housing inventory totals were equivalent to 2.7 months at the current sales pace.

Red Hot U.S. Housing Market Cools Slightly

The U.S. housing market is showing a slight slowdown despite having remained red hot throughout the summer and fall. The presidential election and a new wave of coronavirus cases in early November forced buyers and sellers to take a pause, said Danielle Hale, realtor.com's chief economist in a report.

Sellers opted to keep their homes off the market, with new listings dropping 12 percent during the first week of November. The fall was worse than the previous week's decline of 9 percent and a significant decline from last year at the same time when newly listed homes were down just 2 percent.

A steady supply of new listings is critical for home sales and they

continued on next page

January • 2021 Volume 46 • Number 1

need to make a significant comeback in order for housing activity to continue. Since few new listings hit the market in November, the total number of homes for sale also saw a decline as well. In all, total inventory across the U.S. was down 39 percent from last year's levels.

The speed at which homes are being sold and listing price changes still indicate "a tight market," said the report.

During the first week of November, a property spent 13 fewer days on the market than compared to 2019.

U.S. Housing Market Expansion to Continue in 2021, Predicts Forecaster

According to a Realtor.com forecast, the market is expected to move into its ninth straight year of increasing home values. Home sales are being fueled by low inventory as buyers compete for limited inventory in most U.S. markets.

This will be a boon for homeowners. However, it is bad news for renters and others who are already priced out of the market and have been waiting for prices to fall.

In 2021, the demand for larger-sized homes to allow homeowners to work-from-home will continue, says Lawrence Yun, chief economist for the National Association of Realtors. He predicts home sales will rise and that home prices are in no danger of decline due to the ongoing housing shortage.

Yun also predicts the availability of a COVID-19 vaccine will help to revive the U.S. economy in 2021 which will in part allow mortgage rates to remain stable.

Yun also expects a Biden administration to deliver on tax credits for moderate-income homebuyers which will help them with down payments and that Biden will reverse the previous administration's preference towards privatization of Fannie Mae and Freddie Mac and eliminate the "1031 exchange."

U.S. Housing Starts Get a Boost in October, Exceed Forecast

Housing starts increased 4.9 percent to an annualized rate of 1.53 million, according to a report published jointly by the Census Bureau and the Department of Housing and Urban Development. This figure was upwardly revised from 1.46 million one month earlier.

Record-low mortgage rates and a desire to relocate to larger homes in the suburbs have contributed to a further decline of an already tight supply of homes. This contributed to a record high for builder confidence as single-family homes jumped to the best pace since 2007. The number of units authorized but not started is also up, which indicates construction will remain robust into 2021.

Construction of single-family homes rose 6.4 percent to a 1.18 million rate in October, accounting for 77 percent of total homebuilding. Multi-family starts remained unchanged. Applications to build also remained steady. However, permits for single-family homes saw a sharp increase to a 1.12 million pace that was the highest since 2007.

Housing starts rose in all four regions. The South, the largest region, led the gains with single-family housing starts rising 6.7 percent, marking the best pace in more than 13 years.

continued on next page

January • 2021 Volume 46 • Number 1

U.S. Single-family Home Market Expected to See Significant Gains in 2021

Real estate market conditions and home values will rise in 2021 and move even higher in 2022, predict analysts in a recent Urban Land Institute report. Single-family homes are expected to outperform across all market sectors. The report is part of the Urban Land Institute semi-annual survey on real estate and macroeconomic fundamentals.

New single-family construction starts are predicted to decline slightly to 871,250 by the end of 2020 before they rise to 940,000 in 2021 and 975,000 in 2022. This will mark the highest level since 2006. Single-family real estate is expected to far exceed any growth in other real estate sectors including commercial, rentals, hotel, and retail.

Analysts also predict home prices will rise an average of 4.1 percent over the next three years, an increase above the long-term average of 3.9 percent. This forecast was based on a survey of economists at 37 leading real estate firms.

With the worst fears of the pandemic's impact on real estate in the rear view, the underlying strength and resilience of the market are expected to win out, says William Maher, principal of Maher Strategies and the author of the report. There are still some uncertainties that remain but are unlikely to affect the U.S. housing market overall.

Wave of Foreclosures May Follow 2020 Housing Boom

Recent data shows the U.S. housing market is experiencing record activity. However, analysts are concerned the current boom could be followed by a wave of foreclosures. They argue the high levels of activity are due to tight inventory, an issue that existed before the pandemic began. As a result, problems caused by the pandemic have not yet been revealed.

While conditions are favorable for sellers, buyers at the lower end of the market are not faring as well. Job losses during the pandemic have been mostly concentrated among low-wage workers. As of August, more than 10 percent of the 8 million single-family mortgages backed by the FHA were delinquent by over three months.

According to the FHA, 86 percent of those delinquencies were due to "a national emergency," a category that includes the COVID-19 pandemic. These delinquencies were also heavily concentrated among loans with low credit scores.

Current foreclosures have ground to a halt due to the passage of the Cares Act in March, which included forbearance provisions allowing homeowners with government-backed mortgages to postpone or reduce payments for up to 12 months due to pandemic-related hardships.

However, these forbearance provisions will expire in 2021, and analysts predict a wave of foreclosures will follow.

7 Marketing Trends Agents Should Adopt in 2021

The COVID-19 pandemic greatly influenced the way many agents ran their real estate business in 2020. With social distancing and self-quarantine rules in place, adapting an in-person business for 2020 was extremely challenging. Homebuyers and home sellers alike became apprehensive about dealing with real estate agents and each other.

COVID-19 will still be a promiment factor in 2021 along with the

continued on next page

changes its prompted, so agents should continue to except more disruption from the norm. Here are seven real estate marketing trends to keep in mind as you plan your marketing in 2021.

1 **Social Media Marketing**

Digital marketing will become the new norm for real estate. Real estate agents reluctant to promote themselves on social media will have no other choice if they want to boost their lead generation efforts.

With many people working from home, the majority will turn to the internet to find a real estate agent. As a result, it is critical for agents to improve their social media presence with social media ads and consistent, quality content.

2 **Drones**

With in-person tours nearly impossible during the pandemic, drones are stepping in to fill the gap and have become one of the biggest trends in real estate marketing. Agents can use drones for both property photos and videos.

3 **Virtual Tours**

In the same way that drones can show properties while maximizing social distancing, virtual tours can make the process safer for clients. By adopting custom virtual tours, you will deliver a more personalized service to your clients.

4 **Email Marketing**

Email marketing has become one of the most effective strategies for agents to keep their clients updated on a regular basis. Email marketing will continue to be a highly effective way to engage with clients in 2021.

5 **Content Marketing**

Content marketing will continue to be a productive method for proving your local knowledge of the market and expertise in real estate. Trends in content marketing include engaging clients through Zoom webinars, blogs, and YouTube videos.

6 **Community Service**

With so many people adversely affected by the COVID-19 pandemic, community service is an important tool to help top agents stand out from the crowd. Community outreach can be done by making donations and becoming more actively involved with charitable organizations in your community.

7 **Automation**

Automation is one of the more advanced real estate marketing methods. Though their impact is only just now starting to be felt in the industry, agents can prepare for the future by adopting AI and big data as opportunities present themselves. Currently, automation is being used to help real estate agents qualify real estate leads so they can stay competitive and spend less time attending to leads that are not ready to commit to buying or selling a home.