

# REALTrends

The Trusted Source

Sponsored By:

**WELLS  
FARGO**

## commentary

### Amara's Law

"We tend to overestimate the effect of a technology in the short run and underestimate the effect in the long run." — Roy Amara, past-president of The Institute for the Future

Since the dawn of the web in the residential real estate world there are those who have been predicting the practice of brokerage as it has been known would be ending soon. Since 1995, dozens of venture backed start ups have bemoaned the state of the industry and the inefficiencies of how the market works and how the participants in the market would need to become much more consumer focused or risk annihilation.

It certainly hasn't happened – yet.

*Commentary cont. on p2*

## inside

- 4 Different Views of What is Down the Road in Housing
- 8 Focus on Andrew Peck, Royal Pacific Realty Group
- 9 September Showing Index
- 11 REAL Trends Housing Market Report – August 2013
- 13 America's Emerging Housing Crisis
- 15 Prudential's Second Quarter Consumer Study Results
- 16 U.S. Foreclosure Activity Increases 2 Percent in July Boosted by 6 Percent Increase in Foreclosure Starts
- 17 Data Collection Starts for 2013 Online Performance Study
- 18 REAL Trends Business Accelerator is Launched
- 19 New Player in the Global Mobile Game—Keller Williams
- 20 The Kids Aren't Buying Homes: Generation Y May Be Holding Back the Housing Recovery



### Sales, Prices Up in July

The market for housing sales just had its best year over year result since the recovery began two years ago. July housing sales were up almost 24 percent in unit sales and prices continued to increase above 7 percent on a national basis. The strongest regions for unit increases were the Midwest and the South. They also led the way in average price increases (on a percentage basis).

So what's next? Interest rates will continue to rise with many seeing 10 year rates above 3 percent by this time next year – that equates to a 30 year mortgage rate above 5 percent. Still historically low. Prices remain attractive in most markets.

The U.S. and the global economy, particularly in Europe, appear to

*Sales Up cont. on p2*

Compliments of



Editor:

Steve Murray – [smurray@realtrends.com](mailto:smurray@realtrends.com)

REAL Trends Team:

Bob Bill – [bbill@realtrends.com](mailto:bbill@realtrends.com)

Amy Broset – [abroset@realtrends.com](mailto:abroset@realtrends.com)

Jaime O'Connell – [joconnell@realtrends.com](mailto:joconnell@realtrends.com)

Paul Salley – [psalley@realtrends.com](mailto:psalley@realtrends.com)

Travis Saxton – [tsaxton@realtrends.com](mailto:tsaxton@realtrends.com)

Daniele Stufft – [dstufft@realtrends.com](mailto:dstufft@realtrends.com)

Tracey Velt – [tracey@traceyvelt.com](mailto:tracey@traceyvelt.com)

Doniece Welch – [dwelch@realtrends.com](mailto:dwelch@realtrends.com)

Copyright 2013 by REAL Trends. All rights reserved. Material in this publication may not be electronically stored or reproduced in any form without written permission. Violators will be punishable by a fine of up to \$100,000 per offense.



To purchase a membership or any of the following REAL Trends products please visit us at [www.realtrends.com](http://www.realtrends.com):

- Brokerage Compensation Report
- Game Plan
- Online Performance Study
- REAL Facts
- REAL Trends 500
- REAL Trends Canadian 250
- Valuing a Residential Real Estate Services Business

Commentary cont. from p1

Why? One reason may well be that the purchase and sale of housing is an infrequent and complex affair. And it isn't getting more frequent or less complex. Another may be that where a mistake in purchasing books, wine and travel online without human assistance may result in disappointment, the cost of failure in the sale or purchase of a home may be disastrous—as so many found out when they purchased homes in 2005 – 2007.

That doesn't mean it won't change. To the extent that online portals partnered with online transaction processing systems evolve it could change the way that consumers do transact. It would not have to be a huge percentage, just 10-20 percent of consumers, using these new methods, would have a profound impact on market shares and pricing in the industry. Just because it hasn't happened yet doesn't mean it won't.

The first e-book systems failed in the late 1990's. Better technology and the advent of wireless communications changed that market. Blackberry led the world in hand held devices and is now said to be for sale. Remember the Palm? And how do you think the laptop makers feel about tablets.

So, while many may have overestimated the near term impact of technology on residential real estate, it may well be that we are all underestimating the long term impact. ■

Sales Up cont. on p2

be improving albeit at a glacial pace. However, they are headed in the right direction. Even China with some slowing seems to be escaping a significant slowdown.

All of this means that American and Canadian housing markets should remain positive both in unit sales and price increases. Both increases will likely moderate in the coming months but remain positive. Homebuilding is not keeping pace with demand, yet, so inventories will remain on the tight side.

Wild card remains in Washington, D.C.: Edward DeMarco, head of Fannie and Freddie, is likely to be replaced. Current nominee is on record with favoring the lowering of standards for valuations and underwriting. Were he to be confirmed within a few years the market will be back where we were in 2004-2006. From our view a dangerous development. ■

# 2014 Calendars

Keep your name in front of your clients all year!  
Choose a style that matches your personality.



New Lower Price and Quantity  
[www.merrill4marketing.com](http://www.merrill4marketing.com)

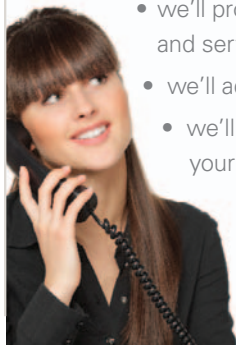
See what all the chat is about!  
"I send business cards, calendars, and anniversary cards to customers I've obtained in Real Estate over 13 years. Just recently, I received a call from a customer I assisted back in 2003 who wants to put her house on the market. She called and thanked me for the calendar. Merrill's products are great networking tools.  
MERRILL you ROCK!"

- Yvette McNeil



## Merrill's SERVICE PLEDGE to you:

- we'll provide you easy-to-use tools and services
- we'll address your issues promptly
- we'll communicate with you your way
- we'll invest our resources to better meet your needs



## Create an online marketing campaign.

Merrill mSHARE allows you to instantly create online marketing to complement your print campaign. Order any product – then share it with your email contacts, Facebook friends or any of the over 150 other social media sites – all with a click of a mouse. **Plus, It's FREE!**



## Different Views of What is Down the Road in Housing

### Regulators Fold; Lift “Skin-In-The-Game” Rules To Keep Housing Bubble Dreams Alive

by Tyler Durden

Following the debacle of free-and-easy mortgage money to anyone who could fog a mirror in the run-up to the last housing bubble (remember that was just 6 years ago), regulators proposed “skin-in-the-game” rules which forced banks to hold certain amounts of the loans they made (as opposed to securitizing and selling off that yieldy risk to the next greater fool). Makes sense.

However, in a major U-turn, with interest rates rising, mortgage rates spiking, and home prices now collapsing once again, it would appear the very same congress has folded.

As the WSJ reports, more stringent lending standards on top of the market environment leave the watchdogs, which include the Fed and the FDIC, wanting to loosen a proposed requirement that banks retain a portion of the mortgage securities they sell to investors (representing a victory for an unusual alliance of banks and consumer advocates that opposed the new rules).

Undermining the initial goal of imposing market discipline, former FDIC Chair Sheila Bair noted, “My sense is that Washington has lost its political will for serious reform of the securitization market.” Indeed it has, Sheila. ■

---

## *On the Other Hand*

### What to Expect From Housing in Second Half of 2013

by Morgan Brennan, *Forbes*

The U.S. housing recovery continues to make gains. New home sales have surged 38% since last year, hitting a five-year high in June, according to the newest figures from the Commerce Department. And despite a monthly drop in activity, sales of previously owned homes remain 15% higher than last year as well, according to the National Association of REALTORS®.

If housing in the first six months of 2013 could be summed up in one sentence, it would go something like this: Inventory is painfully tight, sales activity is surging and home prices have jumped. Now real estate experts are sounding off on the trends that will help shape the sector in the second half of 2013. Here’s what you need to know.

#### We Are Not Re-inflating a Bubble

Home prices have clocked double-digit price appreciation this year. Prices across the 20 major U.S. metro markets were 12% higher in April than they were a year before, according to the S&P/Case-Shiller Home Price Index. Other indexes have registered similarly dramatic gains. The last time prices appreciated by double digits was during the last housing bubble, motivating to question whether a new bubble is beginning to inflate.

It isn’t. The current pace of growth, while certainly unsustainable for long term market health, is nothing to worry about just yet. “Prices are now rising as fast as they were during the bubble years, but they are still low relative to the levels where they were back

then,” explains Jed Kolko, chief economist of Trulia a San Francisco, Calif.-based real estate site.

He says prices are actually undervalued across most of the country, lower not just than their bubble-era peaks but also lower than their historical norms when adjusted for inflation.

“You can sort of think of it as we overshot on the way down and this is sort of a correction back to something more normal,” adds Mark Fleming, chief economist of CoreLogic, an Irvine, Calif.-based real estate data firm.

Economists do believe home prices will continue to climb throughout the rest of this year. CoreLogic projects 2013 will end with a 6% increase over 2012. And Altos Research, a Mountain View, Calif.-based firm that tracks real estate data in real time, believes 2013’s final tally will be even higher. “Based on the actual supply and demand data, we are looking at 12% year-over-year,” says Michael Simonsen, chief executive of Altos Research.

Still, it won’t last. They say several variables, including increased inventory and higher mortgage rates, will slow the pace of growth, which to be clear, is expected to stay positive over the next several years.

### **More Homes Coming To Market**

I’ve said it before. The abnormally tight inventory levels fueling the return of such frothy buyer practices as bidding wars and contingency-free offers will slowly begin to ease. Inventory – which hit a 12-year low earlier this year — is already starting to increase and economists believe that trend will continue despite the season.

In June, there were 7% less homes for sale than a year earlier, according to Realtor.com, but the monthly numbers offer the forward-looking story. From May to June, inventory grew by 4%; last year that monthly increase was only 1%.

“We think inventory levels on a year-over-year basis will probably flatten out by the end of this year. That will be the first time since 2007,” says Errol

Samuelson, president of Realtor.com. “I think you are actually going to see inventory growth on a year-on-year basis starting in the fall, but prices nonetheless will continue to appreciate.”

“Inventory started to expand very slowly maybe about four months ago,” echoes Kolko. “We will see that continue as rising prices help owners get back above water and help other sellers decide to take advantage of price appreciation.”

Still, some experts, like Simonsen, believe we could see housing shortages in the most sought after locales as far out as the next three years. It will come down to new construction as more homebuilders continue to gain confidence and roll out new developments. Kolko expects to see more construction commence in places like Texas, the Carolinas, Northern California and other parts of the country where there’s strong housing demand, spurring job growth in both construction and housing-related industries.

**Note: In July, homebuilders actually saw a drop in new home starts – all the increase was in multi-family. Builders aren’t convinced it is time to open the spigots due to low income and job growth and the rise in interest rates.**

Since an unusually large portion of new construction is multi-family, increased inventory won’t just help slow the rapid rate of home price growth but also quell rent prices. As many as six million more households will join the rental market ranks over the next decade, according to the National Association of Realtors; more building in major cities will help keep rents from rising too much in response.

### **Mortgage Rates Will Keep Climbing**

Mortgage rates have risen over the past two months. A recent Trulia survey found rising rates was the number one worry among prospective buyers right now. Economists believe rates will continue to climb, though at a much less feverish pace than recently witnessed. But while the higher rates – the 30-year fixed loan is about a point higher than it was in early May – mean borrowing is getting more expensive; housing won’t become unaffordable anytime soon.

“Prices are still low relative to rents, so at 4.5%, it’s still more than a third cheaper to buy than to rent on average across the U.S.,” notes Kolko. “Not every market will remain cheaper to buy but on average... buying will stay cheaper than renting until rates reach 10.5% — a level we haven’t seen since 1990.” Still, in metro areas like San Francisco, San Jose, New York and Honolulu, markets that were always historically cheaper to rent than buy before the downturn, rates will begin to tip the scale back toward renting once they rise above 5%.

“Our estimation is it would take a 6.5% interest rate to bring affordability just back up to the level of early 2000s, [meaning] neither too affordable nor unaffordable,” adds CoreLogic’s Fleming. “There’s plenty of room for appreciation and rate increases before that and we will probably get a little of both.” Rising rates may help fuel another trend in the coming months: an easing of tight mortgage credit that has hampered the purchases of even qualified homebuyers. As rates rise, refinancing business dries up, pushing lenders to begin ramping up the mortgages they underwrite for prospective buyers.

## **Distressed Decline**

Foreclosure activity is on the decline. RealtyTrac, an Irvine, Calif.-based foreclosure site, reports that 800,000 properties had foreclosure filings on them nationwide in the first half of 2013. That’s down 19% from the second half of 2012 and down 23% from the six months before that. In June there were 127,000 filings across the U.S. — the lowest number logged since December 2006.

“On a nationwide basis we will continue to see the numbers go down,” projects Daren Blomquist, vice president of RealtyTrac. “We will still have the flare-ups in state and local markets...but nothing that is going to overwhelm the momentum we have in the market right now.”

He says the exceptions to that downward trend will continue to be states where foreclosures undergo a judicial process. Florida, New York, New Jersey,

Illinois, and Maryland have all seen increases in activity this year, in part because lenders are finally dealing with distressed inventory that had been delayed. Another market that may experience a “last gasp” of foreclosures is California, since the state’s Homeowner Bill of Rights has slowed down the foreclosure process.

Short sales continue to increase, with lenders arranging deals before they even process their first foreclosure filing on a delinquent homeowner’s property. In the first quarter of 2013 short sales increased 79% versus a year earlier, thanks in part to the fact that short sale guidelines were loosened by the government sponsored enterprises.

Another trend that will continue: investor activity, especially among institutions. Institutional investors funded by Wall Street capital have been buying up distressed single family homes and converting them into rentals. According to RealtyTrac’s data, which defines institutional investors as entities that have purchased 10 or more properties in the past year, purchases have continued to increase, with southeastern markets like Florida and Georgia logging 200%-plus yearly increases.

“The one big pool of risk is the underwater homeowners,” says Daren Blomquist, vice president of RealtyTrac, an Irvine, Calif.-based foreclosure site. He estimates that there are as many as 11.3 million borrowers holding mortgage notes worth more than their homes. “It’s going to take two or three years before they actually have equity in their homes. Until we have those people in a place where they can participate in the market, there will be a slight drag on the housing market.

## **Franchising versus independents**

We have written before about the interesting trend among brokerage firms to “rent” outside services rather than investing in “building” their own services. This has happened historically in relocation, training, marketing and other areas of brokerage. Today it is

happening in online marketing where firms lean on listing portals for their online marketing but will spend little to do their own online marketing. There is nothing particularly wrong with either strategy. Leading brokerage firms are experts at recruiting and developing great real estate sales professionals. Those that excel at this component of a real estate brokerage may conclude that sticking to their core competencies is smarter than trying to be OK in a lot of other areas.

In the matter of branding we find a paradox. As Dick DeWolfe, then head of one of the largest independent brokerage firms once said at a REAL Trends Gathering of Eagles conference “why do so many disparage national brands? It is a simple matter – one either builds one’s own brand or licenses someone else’s. Neither course is right or wrong. It depends on the particulars of each brokerage, the market it operates in, its competitors and other factors.”

Even today, 40 years after national brands arrived in the industry the argument for and against brands goes on. What is even more curious is that even today brokerage firms can get totally stuck when considering the pros and cons of shifting one way or the other, whether from being independent to becoming affiliated with a national brand or visa versa. There is a great deal of fear and trepidation among many brokerage firms regardless of which way they may be headed.

We have said before in these pages that while the selection of a brand is important it is not likely the most important. Our belief (backed up by significant amounts of data) is that leadership is likely the most important differentiator between leading firms and those who aren’t.

---

## **Our belief, backed up by significant amounts of data, is that leadership is likely the most important differentiator between leading firms and those who aren’t.**

---

We have been witness to the changing of brands numerous times with our clients. Regardless of the change, whether independent to a national brand or the other way around, we note that so long as there is a strong relationship between the leadership of the company and its sales professionals and that there are good reasons for the change (and that benefit the sales professionals in some manner) then the change is readily accepted. Should either of these two factors not be present then it doesn’t matter what the change was the likelihood is it won’t go as well.

A brand name is what you build into it. It is how people feel about what the brand name stands for that matters, not so much the colors or texture. And as markets and conditions change it may be that your brand should change with it. Know that there are few reasons to fear the change. ■



## Focus On Andrew Peck

Vice president, general manager, Royal Pacific Realty Group

Interview with Tracey Velt, contributing writer

Andrew Peck manages Royal Pacific's five offices and more than 1,000 residential and commercial Realtors®. REAL Trends spoke with Andrew about his career.

**REAL Trends:** Tell us about your career path.

**Peck:** I received my university degree in commerce and urban land economics. When I graduated in the early 1980s, our area was experiencing 18-19 percent interest rates. A lot of developers were going broke, so there were not a lot of jobs for university grads. I decided to try my hand at real estate and found that I quite liked it. I enjoyed going out and meeting people. I loved the flexibility and freedom.



In 1987-88, I wanted to manage a real estate company and I did that, a CENTURY 21 office. In 1990, a partner and I bought that company and in mid-1993 we became the pioneers of a new business model for Canada. We became an independent office. In late 1995, we merged with two other companies to become Royal Pacific. From there we found other like-minded real estate companies that were struggling or wanted to sell, and we bought them. Over the past 10 years, we've bought about 10 to 12 different real estate companies and merged them with Royal Pacific.

Also in the late 90s, I got involved in organized real estate with the Vancouver Board of REALTORS and then became state association president in 2006.

I now sit as a director of the Canadian Real Estate Association (CREA).

**REAL Trends:** How do you do business differently? What makes Royal Pacific unique?

**Peck:** We are very multi-culturally focused. If you were to walk into my office, we have sales associates and managers from all different nationalities. We're very successful at being focused in the Asian markets. We embraced cultural diversity and that's made us more successful.

We are a 100 percent model with full service, free training, a good recognition program and a lot of technology. We've been able to carve a niche in luxury properties.

Now my focus is working on a cloud-based transaction platform.

**REAL Trends:** What are some trends you're seeing in the Vancouver market?

**Peck:** If you think about Vancouver, we're constrained as a land area. We are bordered by the ocean, the mountains and the United States. The only way to grow is to grow up. Some 60 percent of our sales are in the condo market. The trend is to grow the condo market. Our niche has been high-end single-family homes of \$2 million plus.

As much as our market has slowed down over the last 12 months, we haven't seen a consistent drop in prices. Prices are still climbing slightly. We're very bullish about the market simply because of a constrained land mass and the growth of the city.

**REAL Trends:** Do you have any hobbies outside of your career? What are your passions?



**Peck:** My partner, Paul, and I have been together for 22 years. We travel a lot both for work and pleasure. We recently bought a house in Fort Lauderdale, Florida, and we're avid boaters. I used to play bagpipes but have retired from that hobby. However,

instilled in me discipline and a strong work ethic.

When I got involved in the real estate board one of the things that was lacking was a focus on multiculturalism. We need to do more events to embrace the community. It seems to me that organized real estate has been focused on golf and baseball and not on the multicultural activities of the community. I've been pushing for everyone to embrace diversity.

**REAL Trends:** What are you passionate about as it relates to your business?

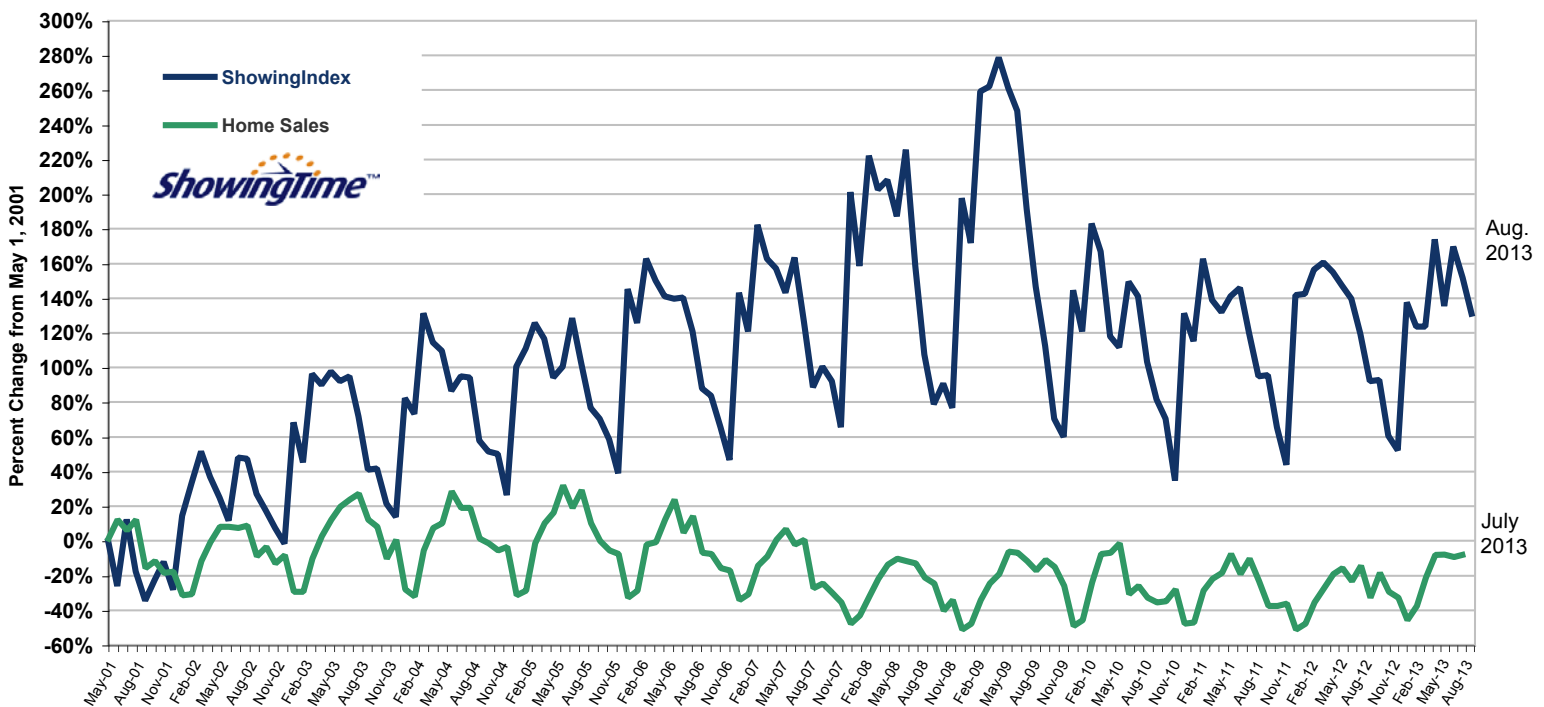
**Peck:** I really like teaching. I really like teaching and mentoring new students as they come into the business.

I also love to solve complicated real estate problems. I'm also passionate about finding new and innovative ways to grow the business. ■

## It seems to me that organized real estate has been focused on golf and baseball and not on the multicultural activities of the community.

being in a bagpipe band taught me all about working together as a team. I played competitively, and it's a true team effort. I started playing at 7 years old and it

### ShowingIndex - Leading Indication of Home Sales



Source : "Housing Sales" is the actual property sales statistic as reported by the National Association of REALTORS. The "ShowingIndex" is a moving trend statistic that tracks the rate of showing appointment requests from the websites of more than 60 real estate companies throughout the U.S. 40 of the companies are Top 100 companies as reported by REAL Trends.

# Dedicated to helping you put buyers into homes

Your goal is to turn buyers into homeowners. Our goal is to provide financing to make that happen. And, as the nation's leading residential mortgage lender, we provide a wide array of products and programs. Whatever your client's home buying goals, we can help you by providing financing options to meet a variety of homebuyer needs.

- Purchase loans including conventional, FHA and VA programs
- Mortgages for high-end purchases
- Investment property financing
- New construction and renovation loans

No other lender is as dedicated to delivering quality products and services to you and your clients as Wells Fargo Home Mortgage.

**We're ready to help you put buyers into homes.**

*Visit [wellsfargo.com/mortgage](http://wellsfargo.com/mortgage) to learn more.*



This information is for real estate, legal, and financial professionals only and is not intended for distribution to consumers.

Wells Fargo Home Mortgage is a division of Wells Fargo Bank, N.A. © 2013 Wells Fargo Bank, N.A. All rights reserved. NMLSR ID 399801. AS992489 Expires 10/2013



**Together we'll go far**

# REAL Trends

## HOUSING MARKET REPORT AUGUST 2013



August 11, 2013 – The REAL Trends Housing Market Report for August 2013 shows that the rate of housing sales increased strongly in July 2013 growing 23.8 percent from July 2012, the strongest year over year increase so far this year. The annual rate of new and existing home sales for July 2013 was 6.572 million up from 5.306 million recorded in July 2012 and up significantly from the 5.612 million recorded in June 2013.

The average price of homes sold increased by 7.2 percent in July 2013 compared to July 2012.

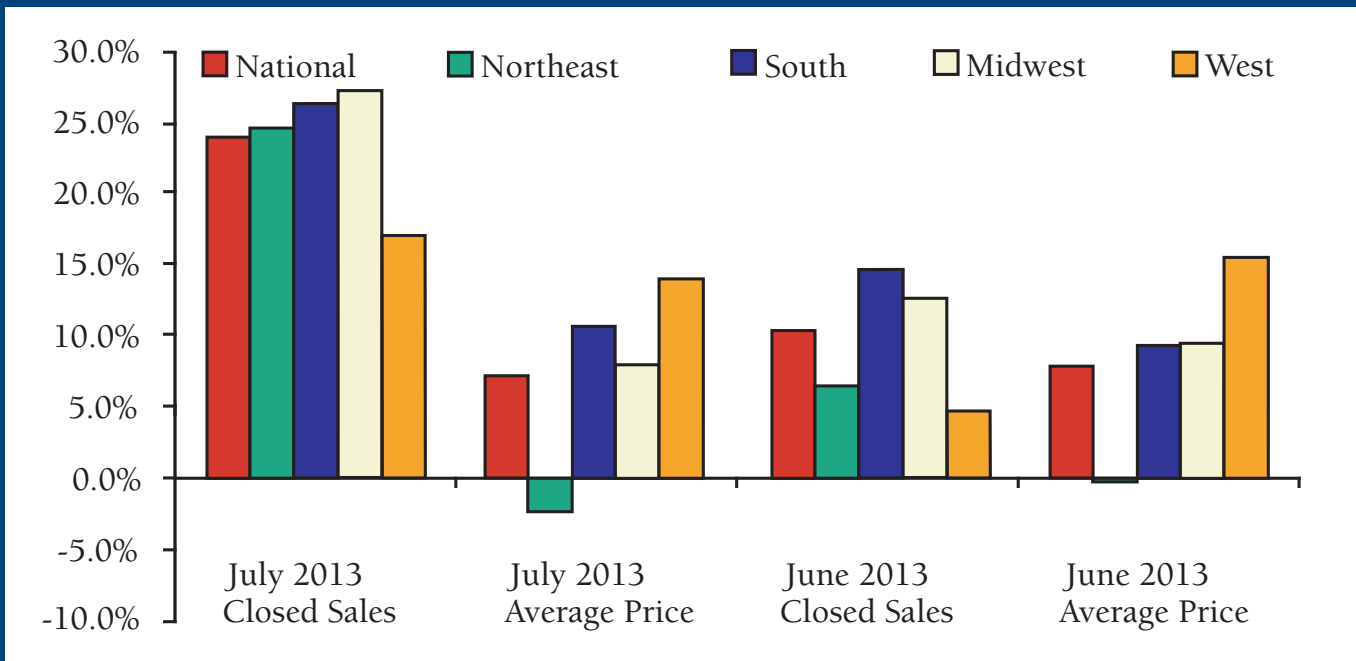
Housing unit sales for July 2013 were up 27.1 percent in the Midwest, the strongest showing in the country. The next highest region was in the South region at 26.3 percent, the Northeast region was up 24.5 percent and the West was up 17.0 percent.

The average price of homes sold in July 2013 increased 7.2 percent across the country, down slightly from the results in June 2013. The West had the best results with the average price of homes sold increasing 13.9 percent followed by the South region at 10.7 percent and the Midwest at 7.8 percent. The Northeast saw a small decrease in average price coming in with a decrease of 2.3 percent.

“July 2013 sales of new and existing homes were surprisingly strong, especially in view of the rise of mortgage rates over the past few months,” said Steve Murray, editor of the REAL Trends Housing Market Report. “Historically when a recovery starts to drive rates up buyers increase their buying activity to beat the rise in rates and that could have been a significant factor in this month’s results. Another factor is the rise in inventories in many markets, making more homes available, and the continued rise in home prices which has evidently injected some confidence among buyers.” ■

## REAL Trends July/June Housing Market Report (Versus same month a year ago)

	July 2013 Closed Sales	July 2013 Average Price	June 2013 Closed Sales	June 2013 Average Price
National	+23.8%	+7.2%	+10.2%	+7.8%
<b>Regional Report</b>				
Northeast	+24.5%	-2.3%	+6.3%	-0.3%
South	+26.3%	+10.7%	+14.6%	+9.3%
Midwest	+27.1%	+7.8%	+12.5%	+9.5%
West	+17.0%	+13.9%	+4.7%	+15.5%



## Advertising Opportunities in REAL Trends

Contact Doniece Welch at [dwelch@realtrends.com](mailto:dwelch@realtrends.com) or 303-741-1000.

**REAL Trends**  
The Trusted Source

# America's Emerging Housing Crisis

by Joel Kotkin

The current housing recovery may be like manna to homeowners, but it may do little to ease a growing shortage of affordable residences, and could even make it worse. After a recession-generated drought, household formation is on the rise, notes a recent study by the Harvard Joint Center on Housing Studies, and in many markets there isn't an adequate supply of housing for the working and middle classes.

Given problems with regulations in some states, particularly restrictions on new single-family home development, the uptick in housing prices threatens both prospective owners and renters, forcing people who would otherwise buy into the rental market. Ownership levels continue to drop, most notably for minorities, particularly African Americans. Last year, according to the Harvard study, the number of renters in the U.S. rose by a million, accompanied by a net loss of 161,000 homeowners.

This is bad news not only for middle-income Americans but even more so for the poor and renters. The number of renters now paying upward of 50% of their income for housing has risen by 2.5 million since the recession and 6.7 million over the decade. Roughly one in four renters, notes Harvard, are now in this perilous situation. The number of poor renters is growing, but the supply of new affordable housing has dropped over the past year.

So while the housing recovery—and the prospect of higher prices—does offer some relief to existing homeowners, it's having a negative impact further down the economic ladder. For the poorest Americans, nearly eight decades of extensive public subsidies have failed to solve their housing crisis. Given the financial straits of most American cities—particularly those like Detroit that need it the most—it's unlikely the government can rescue households stressed by the cost of shelter.

As one might suspect, the problem is greatest in New York, New Jersey and California, say the Harvard researchers. In those three states 22% of households are paying more than 50% of pre-tax income for

housing, while median home values and rents in these states are among the highest in the country. According to the Center for Housing Policy and National Housing Conference, 39% of working households in the Los Angeles metropolitan area spend more than half their income on housing, 35% in the San Francisco metro area and 31% in the New York area. All of these figures are much higher than the national rate of 24%, which itself is far from tolerable.

Other, poorer cities also suffer high rates of housing poverty not because they are so expensive but because their economies are bad. In the most distressed neighborhoods of Baltimore, Chicago, Cleveland and Detroit, where vacancy rates top 20%, about 60% of vacant units are held off market, indicating they are in poor condition and likely a source of blight.

## **America's emerging housing crisis is creating widespread hardship.**

This can be seen in the rise of families doubling up. Moving to flee high costs has emerged as a major trend, particularly among working-class families. For those who remain behind, it's also a return to the kind of overcrowding we associate with early 20th century tenement living.

As was the case then, overcrowded conditions create poor outcomes for neighborhoods and, most particularly, for children. Overcrowding has been associated with negative consequences in multiple studies, including greater health problems. The lack of safe outside play areas is one contributing factor. Academic achievement was found to suffer in overcrowded conditions in studies by American and French researchers. Another study found a higher rate of psychological problems among children living in overcrowded housing.

This is occurring as a generation of middle-class people — weighed down by a poor economy, inflated housing prices and often high student debt — are being pushed to the margins of the ownership market. There will be some 8 million people entering their 30s in the next decade. Those struggling to move up face

rising rents and dismal job prospects. It's not surprising that a growing number of Americans now believe life will be worse for their children.

How do we meet this problem? How about with a sense of urgency? Not that government can solve the problem, but we should consider trying to encourage the kind of entrepreneurs who in the past created affordable "start up" middle- and working-class housing in places like Levittown (Long Island), Lakewood (Los Angeles) and the Woodlands (Houston). Government policy should look at opportunities to create housing attractive to young families, which includes some intelligent planning around open space, parks and schools.

There's certainly much that government can stop doing. The drive for "smart growth" is increasingly hostile to the very idea of single-family housing. Instead the emphasis, for example in the newly adopted Bay Area plan, is on high-density housing around transit links and virtual prohibition on single-family housing on the urban fringe, without which much higher housing prices—owned and rental—are inevitable. This may appeal to some—especially those in what historian Robert Bruegmann calls "the incumbent's club: who are already comfortably housed and benefit financially from policy-induced housing shortages. But for the majority of Americans, including immigrants, who would prefer a single-family home, this is bad news indeed.

The situation is worst in high-regulation states with out-of-whack rent and housing cost inflation. Until the 1970s, housing costs were only a little higher relative to income in metropolitan areas like San Francisco and New York compared to elsewhere in the country, staying within the same ratio of roughly 3 to 1. Then came the anti-growth regulatory regime that has doubled house prices relative to incomes, and even more so in San Francisco and San Jose.

But this is not just a California issue. Other states — Oregon, Washington, Maryland — have adopted similar policies. According to Brookings Institution Economist Anthony Downs, the housing affordability problem is rooted in the failure to maintain a

"competitive land supply." Downs notes that more urban growth boundaries can convey monopolistic pricing power on sellers of land if sufficient supply is not available, which, all things being equal, is likely to raise the price of land and housing that is built on it.

Generally speaking, as prices rise, single-family homes become scarcer and rents also rise. The people at the bottom, of course, suffer the most, since the lack of new construction, and the inflated prices for houses, also impacts the rental market. Since 1980, the average house price as reported by the National Association of Realtors has moved in near-lockstep with rents, as reported in the Consumer Price Index, except for the worst years of the housing bubble.

To be sure, this does not mean we should build more of the classic suburbs of the 1980s. There needs to be thought as to how to provide housing for people who live near work, or encourage more people to work at least part-time at home. It is also imperative that policy provides greater opportunity for people to purchase the housing they prefer and that is also affordable. Technology allows for most jobs to disperse, for tremendous opportunity for overall savings for households. Long linear parks—and even some smaller farms—could provide the critical link to nature and recreation that many households seek.

More than anything we need to recognize that we are not building a reasonable future for the next generation by forcing them to work to pay someone else's mortgage, that of the landlord. This is the opposite of the American dream and certainly doesn't reflect the future our parents sought, nor is it one we should bequeath to our children.

---

*Joel Kotkin is executive editor of NewGeography.com and Distinguished Presidential Fellow in Urban Futures at Chapman University and a member of the editorial board of the Orange County Register. He is author of The City: A Global History and The Next Hundred Million: America in 2050. His most recent study, The Rise of Postfamilialism, has been widely discussed and distributed internationally. He lives in Los Angeles, CA. ■*

# Prudential's Second Quarter Consumer Study Results

Prudential Real Estate, an HSF Affiliates LLC company, released results of its second quarter Consumer Outlook Survey indicating that millennials are increasingly optimistic about residential real estate. A full 80% of respondents aged 25-34 said their perception of the housing market is “favorable” or “somewhat favorable,” representing a 9 percentage point increase from the Q1 study.

Among all respondents, the national survey also found that confidence in real estate and home values jumped sharply, reaching 83% vs. 77% in Q1 study and 73% at year-end. Confidence is highest in both South and West regions at 84%.

“Young Americans, like the majority of survey participants, are feeling much better about homeownership,” said Earl Lee, chief executive officer of HSF Affiliates LLC and president of Prudential Real Estate. “People are looking optimistically at housing for all the right reasons – a place to feel secure, build a future and raise a family.”

Among all respondents, 70% said that finding the right home and community is crucial to family happiness. Millennials were even more emphatic about the emotional side of homeownership: 93% favor a home for “more space for my family,” while only 75% view it as “financial security to borrow against.”

“Consumers are mindful of the challenges faced during the real estate downturn,” added Lee. “Though homeownership makes a solid, long-term investment, a home should never be considered a siding-clad ATM.”

## Mortgage and Rate Watch

On securing a mortgage loan, consumer sentiment continues reflecting the challenges people face through strict underwriting guidelines and credit-score requirements:

- 57% of respondents said securing a mortgage is more difficult than it ever was prior to the market crisis.
- Nearly 40% said lenders are “overly cautious” when it comes to mortgage financing.

- Anxiety and fear of losing a real estate opportunity are respondents' main emotional challenges in seeking home financing.
- With rates rising recently, 71% said they are encouraged to buy a home now rather than later. It is worth noting that 78% of respondents indicated that homeownership is valuable regardless of shifting rates.

While 65% of respondents said they watch rates closely, there is confusion about recent rate trends. Among those who claim to watch rates closely, 43% believe that rates are holding steady or falling, though rates have risen so far this summer.

The knowledge gap calls for advice and guidance from real estate professionals to help people make the best choices. Of survey respondents, 63% indicated that a good agent can help them make the right choices about the type of home and community they want. And having a trusted source of information and guidance is important to 64%.

“Our survey shows that Americans who are looking to find and purchase a home remain positive about their prospects, and they're looking to the guidance of quality real estate agents to navigate the entire process,” said Stephen Phillips, chief operating officer for HSF Affiliates LLC. “Home buyers are more informed than ever with their Internet searches and ongoing research; however, there's a critical need to transform that information into analysis and advice that helps consumers make the best home-buying and selling decisions.”

The full survey details are available upon request. An infographic illustrating survey findings is available [here](#).

## Prudential Real Estate Outlook Survey Methodology

Interviews with 2,600 Americans who are “in the market” to buy or sell a home were conducted online by Edelman Berland in June-July 2013. Respondents are aged 25-64 with a household income of at least \$50,000, and either recently bought/sold a home or are considering buying/selling a home. The margin of error is  $\pm 2.0\%$  for all respondents. ■

# U.S. Foreclosure Activity Increases 2 Percent in July Boosted by 6 Percent Increase in Foreclosure Starts

By RealtyTrac

## Total U.S. Foreclosure Activity Still Down Annually for 34th Consecutive Month

RealtyTrac® (www.realtytrac.com), the nation's leading source for comprehensive housing data, today released its U.S. Foreclosure Market Report™ for July 2013, which shows foreclosure filings — default notices, scheduled auctions and bank repossessions — were reported on 130,888 U.S. properties in July, an increase of 2 percent from the 78-month low in June but still down 32 percent from July 2012. The report also shows one in every 1,001 U.S. housing units with a foreclosure filing during the month.

High-level findings from the report:

- The monthly increase in U.S. foreclosure activity was driven by a 6 percent monthly increase in foreclosure starts and a 4 percent monthly increase in bank repossessions (REO), although both metrics decreased from a year ago.
- Foreclosure starts increased from the previous month in 26 states and were up from a year ago in 15 states, including Maryland (up 275 percent), Oregon (up 137 percent), New Jersey (up 89 percent), Connecticut (up 37 percent), and New York (up 27 percent).
- Bank repossessions increased from the previous month in 29 states and were up from a year ago in 18 states, including Arkansas (up 266 percent), Oklahoma (up 126 percent), Maryland (up 101 percent), New York (up 100 percent), Connecticut (up 67 percent), New Jersey (up 40 percent), and Ohio (up 20 percent).
- The top six state foreclosure rates in July were in states with a judicial foreclosure process, although two of those top six states posted decreasing foreclosure activity from a year ago: Ohio (down 18 percent) and Illinois (down 44 percent).
- Arizona's foreclosure rate dropped out of the top 10 highest for the first time since February 2007,

joining California's foreclosure rate, which was out of the top 10 for the sixth consecutive month in July, and Michigan's foreclosure rate, which was out of the top 10 for the fifth consecutive month in July.

- Nine of the nation's 10 highest metro foreclosure rates in July were in Florida cities, and five of those nine Florida cities posted increasing foreclosure activity from a year ago.
- Among the nation's 20 largest metropolitan statistical areas, 10 posted increasing foreclosure activity from the previous month and five posted increasing foreclosure activity from a year ago: Baltimore (up 182 percent), Miami (up 58 percent), New York (up 42 percent), Philadelphia (up 11 percent), and Washington, D.C. (up 5 percent).

“While foreclosures are continuing to boil over in a select group of markets where state legislation and court rulings kept a lid on foreclosure activity during the worst of the housing crisis, the foreclosure boil-over markets are becoming fewer and farther between as lenders have caught up with the backlog of delayed foreclosures in some of the states with the more lengthy judicial foreclosure process,” said Daren Blomquist, vice president of RealtyTrac. “For example, Illinois foreclosure activity has now decreased on a year-over-year basis for eight consecutive months following 11 straight months of annual increases, and Ohio has seen three consecutive months with annual decreases following eight straight months with annual increases.

“U.S. foreclosure activity in July is 64 percent below the peak of more than 367,000 properties with foreclosure filings in March 2010, but is still 54 percent above the historical average of 85,000 properties with foreclosure filings per month before the housing bubble burst in late 2006,” Blomquist continued. “There are a dozen states, however, where foreclosure activity levels in July were at or below average monthly levels prior to the bubble bursting. Those states include Texas, Colorado, Oklahoma, Indiana and Michigan, and we expect the number of states in this category to increase in the coming months.” ■



# REAL Trends Begins Data Collection for 2013 Online Performance Study

By Travis Saxton, REAL Trends Marketing & Technology Manager

After a successful year and great discoveries in the 2012 version of the report we have committed to bringing even more online information to the real estate industry in our *Online Performance Study*. Industry veteran Bob Bill (formerly of Market Leader) has joined the author team to construct the best report of its kind. We are adding numerous data contributors including but not limited to Google, Aumnia, Market Leader, Virtual Agent, Zillow, BoomTown and more. We will be aggregating data from Brokers in two areas like last year: Our Phone Survey and an in depth dive into their Google Analytics accounts.

The intent is to expand the report beyond its current format and integrate more data sources. We are also adding in several case studies related to technology and marketing to really make the report a great read. New exploration areas will include better lead source accountability, conversion rates and more mobile statistics from mobile websites to mobile apps. Social media will also be an expanded category in the 2013 report.

The 2012 edition had some great findings and if you have not had a chance to read it we are offering a complimentary PDF report in anticipation for the 2013 launch. Click [here](#) to receive your free 2012 study.

New in 2012 and being expanded for 2013 is the launch of the best real estate websites based on actual metrics from analytics and social media. We ranked every participant on 15 data points to determine the top performing real estate websites. Last year we ranked the top 15 and with increased



participation we will be expanding that to the top 25 and maybe 50 depending on the amount of participants we have. Participating is easy and free with a two step process: 1) Take 10 minutes to complete our phone survey with author Travis Saxton and 2) Grant REAL Trends confidential access to your brokerage's Google Analytics account.

That's it for participating. You will get an early complimentary release of the report. Subsequently, all attendees at the 2013 REAL Marketing and Tech Summit hosted by REAL Trends in Denver, October 16-18 will receive a free copy prior to the report being released for sale. Please contact Travis Saxton at [tsaxton@realtrends.com](mailto:tsaxton@realtrends.com) for more details about participating in the study or contact us if you are a technology company looking to participate or sponsor the Online Performance Study. Click [here](#) to receive your free 2012 Study.

Take the initiative. The 15 firms that were ranked the best real estate websites in 2012 sure got some great recognition and marketing out of the opportunity not to mention a free report. ■

# REAL Trends launches the REAL Trends Business Accelerator

This industry is awash in new technology and marketing services firms. Many are headed by young aspiring business owners with great ideas and passion. In many cases they have developed products and services that are exactly what brokerage firms and sales professionals need to improve the efficiency of their business.

REAL Trends has for years informally introduced some of these kinds of firms to our clients and customers. Many have become leading providers of technology based services to our clients. Firms such as VScreen, The CE Shop and KWKLY are some examples of firms that we played some role in introducing to our world.

Earlier this year we decided to formalize these services as the quantity and quality of new offerings has multiplied. We call this new program the “REAL Trends Business Accelerator”. Under the direction of Bob Bill, vice president, managing consultant and Travis Saxton, manager of technology and marketing, we desire to not only bring some great new products and services to our clients but to help these new organizations develop into long term participants in this great industry.

## Here is a synopsis of the REAL Trends Business Accelerator described by Bill.

As you have probably noticed, there is a proliferation of new start-ups, spin-offs and repositions of technology companies in the real estate industry. This could be a sign of the general real estate market improving or just a rush of good brainpower and talent into the industry wanting to help solve problems and improve the real estate process. Whatever it is, it's a good thing for the industry and REAL Trends wants to play its role in helping these companies bring the best to our clients.

With this in mind, REAL Trends is officially launching the **REAL Trends Business Accelerator**.

Our Business Accelerator is a unique small business incubator for early stage technology companies. We will bring together no more than a dozen entrepreneur driven tech companies to work hand-in-hand with REAL Trends leadership and a select group of outside advisors.



**Our Mission:** The REAL Trends Business Accelerator program is designed to support the successful development of entrepreneurial companies through an array of business support resources and services developed and orchestrated by REAL Trends.

## Value to our Business Accelerator Participants:

**Entrepreneurial Education:** A REAL Trends sponsored webinar series will offer a core set of educational topics to help our companies better manage their growing business. Topics will include: financial management, human resources and people development, “How to raise capital” and protecting intellectual property.

**Networking:** We will work with each company to leverage REAL Trends’ extensive relationships and contacts within the real estate brokerage business, franchise organizations and industry leaders throughout North America.

**Business Consulting:** Our companies will have access to an array of business consulting services from the *REAL Trends* consulting team.

**CEO Roundtable:** Participating companies in the Business Accelerator program will be invited to join a CEO roundtable of their peers to discuss key business issues and share business strategies.

**REAL Trends Marketing & Tech Summit:** Participating companies will be able to attend the REAL Marketing & Tech Summit. This is a unique opportunity to meet and network with industry leaders.

**REAL Trends Data Vault:** Business Accelerator companies will have access to *REAL Trends*' propriety studies, research data and award-winning publications.

It's important to note that ***REAL Trends will not take equity positions or ownership*** with any of our Business Accelerator companies. We believe this would be counter to our company mission of offering our clients unbiased advisory services. Our goal is to invite the most innovative technology companies that can offer strong value propositions to our *REAL Trends* Broker and Agent clients. ■

---

## New Player in the Global Mobile Game: Enter Keller Williams

*REAL Trends* spoke with Cary Sylvester, chief technology officer for Keller Williams about the splash they made recently with their new global mobile app. Cary mentioned when they went about creating the app it had to have certain ingredients to be able to compete with the major portals. One critical piece was it had to have a broad geographical footprint in the U.S. and Canada and it had to be branded to every agent, as they are the frontline engaging the consumer.

The app boasts numerous tech qualities but it's really the fact that KW put serious consideration into agent and consumer habits to make it easy for everyone. A one-click feature to see nearby homes, rentals, and open houses was a great addition as well as a draw your own search feature - no more boxes or zip codes. From an agent perspective the fact that all the data flows from the App to their CRM to their individual agent websites makes agents and consumers lives easier.

Often overlooked the key integration component really aids the agent when tracking and using data to aid the real estate consumer, but from a consumer perspective having your saved searches, preferences, and favorites be synchronous between every device and even with their own agents website is a pretty nice new feature.



When asked what's next for the mobile app, Cary had an interesting idea "Coming soon is the ability for KW agents to send referrals to other KW agents in different parts of the country right from the mobile app."

"At Keller Williams, we're agent-centric and consumer-centric at the same time," CEO

Mark Willis said. "By being the first to provide our associates with their own branded app, we are empowering them to achieve extraordinary results and deliver exceptional client service. And by providing consumers with an easy-to-use app filled with helpful features, we're putting the home search process where consumers want it most – in the palm of their hand."

The app – which is provided at no cost to real estate agents or consumers – is available for Apple and Android platforms. ■

# The Kids Aren't Buying Homes: Generation Y May Be Holding Back the Housing Recovery

By *Quentin Fottrell*

Millions of young Americans are unemployed or underemployed, living with roommates or at home with Mom and Dad — instead of buying homes of their own, a new study found. And it isn't just the economy that is holding them back, experts say: Many were also spooked by the property crash of 2008.

The number of “missing households” — that is, Americans who would be owning or renting a home now if prerecession economic trends had continued — hit 2.4 million as of March, according to an analysis of raw monthly government data by real estate marketplace Trulia. That is down slightly from its peak of 2.6 million in 2011, but up 100,000 from the year prior. And 18- to 34-year-olds account for more than half of the missing households, according to the data.

“Household formation is the most important indicator of the housing recovery that isn't making great strides,” says Trulia Chief Economist Jed Kolko, who did the analysis.

## Is Generation Y holding back the housing recovery?

Before the Great Recession, about 1.1 million new households were added annually in the U.S., Kolko says. However, from the first quarter of 2008 to the first quarter of 2011, only 450,000 new households per year were created. That, he says, contributed to lower demand for homes, and annual construction starts dropped during this period from a norm of 1.4 million to below 600,000.

The 18- to-34-year-olds are a key age group for housing demand, he says: “They'll always make up a significant share of buyers, even though they're now less likely to be buying, renting, or living on their own than they were before the recession.”



While plenty of young people can't currently afford a home of their own, many of those who can aren't buying either. They watched the housing market collapse, experts say, and they're not keen to repeat the mistakes of the past. “They're spooked,” says Nick Scheumann, a financial adviser at Hefty Wealth Partners in Auburn, Ind. “They don't see housing as good as an investment as it was 30 years ago. It was a scary ride over the last four or five years in real estate.”

Indeed, around 78% of young adults say they're satisfied living at home, a 2012 Pew Research survey found, while 77% feel upbeat about their future finances. Some 22.6 million adults ages 18 to 34 lived at home in 2012, up 18% from a decade earlier, according to U.S. Census figures. ■

UPCOMING EVENTS:

**REAL Marketing and Technology Summit** – This working session is scheduled for October 16-18, 2013 in Denver. This will be a small work group session with topic experts in four different areas followed by discussion amongst small working groups of brokerage technology and marketing professionals.

**REAL Trends Institute for Emerging Leaders** – A working session for those new to leadership in a realty firm scheduled for January 22-24, 2014 in Denver. Four key areas will be covered including new methods of recruiting, how to make the most of your web presence, growth through mergers and acquisitions and key skill development for sales and operating management.

**REAL Trends Gathering of Eagles** – April 30-May 2, 2014 in Dallas, Texas will feature President George W. Bush as the keynote speaker with Thursday night reception at the George W. Bush Presidential Library. General session topics include moderated discussion on second generation leaders, developing leaders in your firm and the benefits of private franchising of your brand. ■

**REAL Trends** Presents

## The 2013 REAL Marketing and Tech Summit “Collaboration with the Best”

October 16-18, 2013  
JW Marriott Cherry Creek  
150 Clayton Lane  
Denver, Colorado 80206  
303-316-2700 • 866-706-7814



**CLICK HERE TO REGISTER**

Daniele Stufft, Conference Manager  
Email: [dstufft@realtrends.com](mailto:dstufft@realtrends.com)  
Phone: 303-741-1000  
[www.realtrends.com](http://www.realtrends.com)

[www.realmarketingandtechsummit.com](http://www.realmarketingandtechsummit.com)