

# REAL ESTATE UPDATE

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## Recession Update

Just about every market analyst has been predicting a recession sometime in 2023.

Well, here we are ending the first half of the year and we have seen very few signs of a recession. To the contrary, as of last month the economy had added almost 1.5 million jobs in the first five months of the year – on pace for 3.5 million jobs for the year. And job openings are currently hovering around 10 million. That is a lot of jobs to fill.

As the solid economic news has continued to roll in, the market analysts have pushed the recession forecast down the road a bit and have added the phrase



“mild recession” to their analyses. Even we have made the statement that job growth cannot continue at this pace, because the unemployment rate is so low. This is not really much of a projection, just logical thinking in this regard.

But we also would remind you of another statement we made months ago – you can't have a recession if the economy is adding hundreds of thousands of jobs each month. The economy can slow down—but people who are employed spend money and consumers continue to spend in this

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### Did You Know...

*Can't move, won't move. That's increasingly the approach of Americans who are in the market for a new job. The share of job seekers who relocated to take up a new position fell to 1.6%, the lowest level on record, in the first quarter of 2023, according to a quarterly survey that's been carried out by executive coaching firm Challenger, Gray & Christmas, Inc. for decades. Behind the shift in attitudes lies a post-pandemic surge in remote and hybrid positions, which has made it possible for more workers to stay where they're living even as they change jobs.*

### Selected Interest Rates

June 22 2023

30 Year Mortgages—6.67%  
2022 High (Nov 10)—7.08%  
2022 Low (Jan 6)—3.22%  
15 Year Mortgages—6.03%  
10 Year Treasuries—3.79%

Sources—Fed Reserve, Freddie Mac  
Note: Average rates do not include fees and points. Information is provided for indicating trends only and should not be used for comparison purposes.



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## Prices Not Falling

Two different indexes released recently show that home prices continue to increase. The Federal Housing Finance Agency (FHFA) House Price Index showed that prices nationwide in the first quarter of 2023 were up 4.3% from the same quarter a year earlier. It was the 45th-consecutive quarter with a year-over-year increase, the FHFA said.



That's every quarter since the first quarter of 2012. The FHFA index also showed that prices were up 0.5% from the previous quarter, and that its seasonally adjusted monthly index for March also increased, rising 0.6% from February.

In addition to the FHFA index, the S&P CoreLogic Case-Shiller Indices also showed that prices rose in March, as all 20 major metro markets reported month-over-month price increases. Before seasonal adjustment, the U.S. National Index posted a 1.3% month-over-month increase in March, while the 10-City and 20-City Composites posted increases of 1.6% and 1.5%, respectively, S&P Dow Jones Indices (DJI) said. "The modest increases in home prices we saw a month ago accelerated in March 2023," said Craig J. Lazzara, managing director at S&P DJI. "The National Composite rose by 1.3% in March, and now stands only 3.6% below its June 2022 peak..."

Source: National Mortgage Professional

## Purchasing Commercial...

During the pandemic, many who owned their own home saw the previous drop in interest rates as an opportunity to purchase income producing real estate – especially with rents rising. For most, this meant purchasing another residential property that will be rented. More serious investors turned to commercial properties as the multi-family sector has also continued to be strong, along with certain additional sectors the commercial market.



chasing a building that has more than four units, you are starting to move into the commercial world. Consider a building with 50 units.

This is an apartment building and is clearly a commercial transaction. However, commercial properties are not limited to apartments. Commercial properties can be offices, churches and hotels, as well as other types of structures such as ware-

houses. The growth of the warehouse sector has been strong as the retail sector has weakened due to on-line shopping. You have to distribute on-line orders from somewhere!

First, what is the difference between rental properties and commercial properties? If you purchase another home to rent, this home is a rental property. Even if you purchase a duplex or a 3 to 4-unit residential property, these are considered rental properties. As a matter of fact, a great way to enter into the investment market is to purchase a multi-unit property such as a duplex and live in one of these properties. This would give you more favorable "owner-occupied" financing. FHA, Fannie Mae and Freddie Mac all allow the purchase of up to 4-unit properties and will finance larger loan amounts for these transactions.

Should you consider becoming the owner of a commercial property? Ownership is a great business opportunity if you purchase the right property because the income may very well cover the costs while you build up equity through paying down the mortgage and long-term appreciation. A \$5 million dollar property that appreciates only 5% per year could be worth \$10 million dollars in under 15 years because of compounding. If the income pays off the mortgage during this time, the result would be a great nest egg for retirement.

On the other hand, if you are pur-



**"...Ownership is a great business opportunity if you purchase the right property ..."**

# ...Property



Of course, finding the right property, financing that property and managing it are all of key importance. And a major factor in finding the right property involves using an experienced commercial real estate agent. The commercial business requires specialists who are highly trained because of the complexity of these transactions.

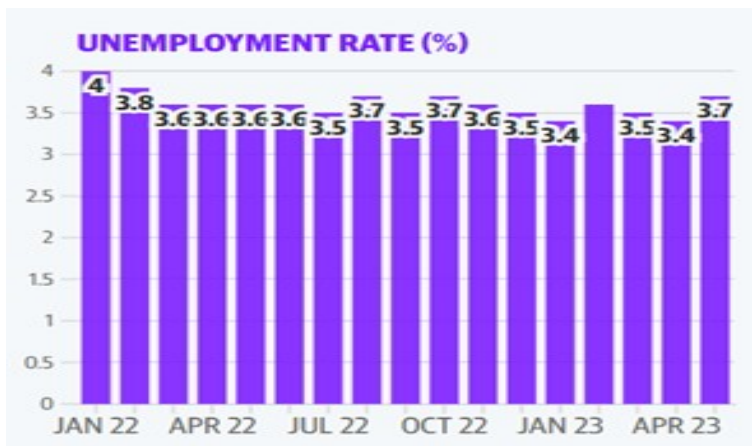
That agent will help you with the factors that are likely to make the transaction a success. There are a host of issues you will have to deal with; including location, expense coverage, parking, environmental factors and more. The agent will also help you set your goals for this transaction.

Financing is a major factor of the transaction. Commercial financing is a different animal as compared to residential transactions. The appraisals and loan packaging requirements are more complex, the down payments are larger and financing terms are different. For example, there are no “thirty-year fixed” commercial mortgages as the terms of these mortgages are much shorter.

As you must find an experienced commercial agent, you must also find an experienced commercial loan officer.

Smaller commercial loans are harder to find as most banks have a minimum size for their commercial mortgages. However, this does not mean that you may not want to purchase a small office building or office condominium. If you own a business that would be the primary tenant, it makes sense for you not to build equity for someone else. Also, if you have significant equity in your home, you may be able to pull cash out to finance most of all of the unit.

Lastly, if you are not experienced or don't have the time, you should not consider trying to manage the property by yourself. There are managerial companies that focus upon such properties and your agent or lender should help you with the recommendations. This is a very important investment decision and no element should be left to chance... □



## Recession Update

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environment. So, will a recession finally arrive?

We don't know the answer to that question, but certainly employment growth must slow down in order for a recession to take hold. Certainly, the Fed must be confounded by the fact that they have raised rates again and again, but the economy keeps producing jobs. So, employers of the country – keep hiring and stick your tongue out at the Fed! ... □



**“...the market analysts have pushed the recession forecast down the road a bit....”**

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## Purchase Interest Still Strong

Regardless of age, people still want to buy homes. That's the takeaway from a new report from ServiceLink, a provider of digital mortgage services to the mortgage and finance industries. The 2023 ServiceLink State of Homebuying Report (SOHBR) analyzes generational trends among recent homebuyers, their sentiment about today's housing market, and the role technology plays throughout the process.

The survey features insights from 1,000 homeowners who either purchased or tried to purchase a home within the past three years. According to the report, 52% of all respondents, across all generations, said they plan to consider buying a home. "Even with the ups and downs in today's housing market, there is still a strong desire among several generations to obtain homeownership," said Dave Steinmetz, ServiceLink's president of origination services. "Our latest study suggests there are many homeowners and homebuyers who are ready to make their mark in the real estate market this year; whether it's to purchase a new home or take out a home equity loan." Of the respondents, 61% of millennials said they plan to consider buying a home, vs. 25% of Gen X, 12% of Gen Z, and 2% of baby boomers... [🔗](#)



Source: Service Link

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Address Correction Requested