

REAL ESTATE UPDATE

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Here They Come...

Among the many variables expected to affect the markets this year will be the side-show we affectionately call a Presidential election year. News about the elections will garner headlines throughout the year, competing with events such as two wars which are being fought on the other side of the globe.



As usual, we will not get into politics in this commentary. However, as events unfold which could affect the economy's performance, connections will be made. Just remember, as noisy as things get, we must separate the rhetoric from reality.

Politics and government news have always affected the economy, for example threats of shutting the government down over budget bickering. However, the Presidential election season has the ability to take the rhetoric to another level.

For example, while there may be threats of a government shutdown, an actual shutdown rarely happens, and essential services are not shut off if it does happen. This does not mean the markets will not react to the noise and the last-second deals which inevitably come into place.

Continued on Page 3

Did You Know...

There's a larger share of homes in America without mortgages now compared to any time since 2005, according to the latest census data. This means some people aren't worrying about high mortgage rates. The share of mortgage-free U.S. homes has jumped from 34.3% to 39.3% in the past decade, per the census data.

There can be a psychological perk to paying off a loan early, but according to some personal finance experts, it could be smarter to invest that money instead. "If people derive some intrinsic happiness out of paying off their mortgage because it reduces their stress, then that has value," Michael Roberts, a Wharton School finance professor, tells Bloomberg.

Source: Axios

Selected Interest Rates

January 18, 2024

30 Year Mortgages—6.60%
2023 High (Oct 19)—7.79%
2023 Low (Jan 26)—6.09%
15 Year Mortgages—5.76%
10 Year Treasuries—4.14%

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.



In This Issue


P2 Gen Z: On The Move || P2 What To Do With Hard To Sell Homes
P3 Here They Come... || P4 Housing Deficit

Gen Z: On The Move

Gen Z, now aged between 11-26-years-old moved at rates far above national averages in 2023 according to HireAHelpers' year-end report based on their internal data.



Coming into headlines more frequently nowadays, they seem to be more mobile as they come-to-age based on a litany of factors including workplace habits, home ownership ambitions and the use of remote work technology. That has led Gen Z to be more mobile, even when facing less favorable economic conditions than previous generations, including housing unaffordability, high rent, and mounting student loan debt. This is still occurring as record numbers of young adults are staying put and living with their parents or other family members. When looking at the moving data a different trend emerges.

Despite making up just 12% of the population, Gen Z adults accounted for 17% of all moves that took place in America this year — the national average of 8%. By comparison, Millennials moved at a rate of 11%, Gen X (5%), and Boomers (3%). After a drop in 2020, which was likely caused by the COVID-19 pandemic, more and more Gen Z adults have been moving each year. And they're the only generation to do so... 

Source: MReport

What To Do With...

Even in the best real estate markets, some homes are harder to sell. Perhaps they are unique, have a hard to reach location or there is another feature which is not appealing. Whatever the reason, there are many things you can do in order to promote a hard to sell home.



First, make sure your real estate agent is doing everything they can to promote your property. With a home that is not selling, it is hard for the agent not to decrease his/her promotional efforts due to budget constraints and general discouragement. There are many things you can insist the agent do as part of his/her role as the listing agent—

- Hold an open house on the weekend;
- Hold a “broker-open” to introduce the property to other agents;
- Include the house in his/her regular advertising efforts, including the web and social media;
- Make sure the agent has call-capture technology (an 800 number that can track callers) so that the listing sign is encouraging those who pass by to call and get more information.
- Cash flow—will the rent cover the mortgage and what happens if the property is vacant for a few months?
- Tax ramifications. Tax benefits for renting may not be available for those in higher income brackets. You also may be subject to capital gains when you sell in the future.
- You will need to screen potential renters and keep up maintenance on the property. For some, that means hiring a property manager.

Second, offer special financing. You can continue lowering the price, but a special loan program may cost you less and actually attract more browsers. One such alternative is buying down the interest rate. This may be combined with offering to pay the closing costs for a potential buyer.

If all else fails, you can rent the property. You may not be thrilled with the prospect of becoming a landlord. However, this may not only help you with your cash-flow, but also put you in a position to sell the house later when the home is more marketable. There are many factors you should consider before you make a move to rent. These considerations include:

“...there are many things you can do in order to promote a hard to sell home...”

...Hard To Sell Homes



- If you have equity in the property, you may need a home equity loan to access this equity if you need a down payment for another purchase.
- Your insurance coverage will have to be updated.

In addition, you may consider refinancing your home to lower the payments or move out of an adjustable rate mortgage. This can be done in order to help you stay in the property or to take cash out to finance another purchase if you are going to rent the property.

Keep in mind that some loan programs may not let you refinance a home that

recently has been or is currently for sale. We recommend you check with your loan officer before attempting such strategy.

There is one last issue. What if you can't sell and are unable to rent or refinance? Foreclosure is always the last resort. If you are having trouble making your payments, we recommend you talk with your present lender as quickly as possible—before you become late with payments.

The lender may be able to help in a few ways. Certainly, putting you in a new mortgage or modifying your loan is less costly for them than having to sell your property in the foreclosure process... □

Monthly job creation in the U.S.
January 2022 through December 2023

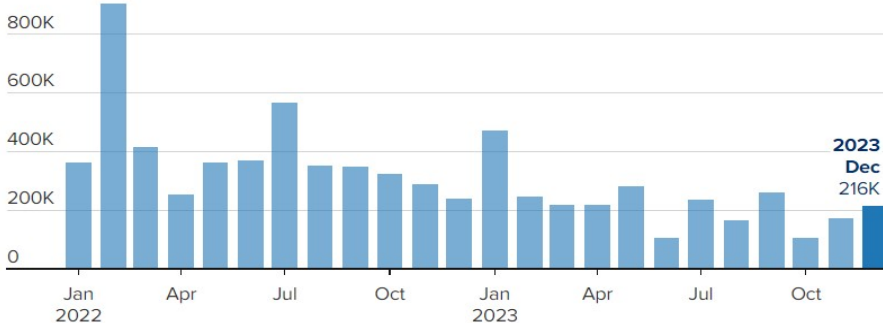


Chart: Gabriel Cortes / CNBC
Source: U.S. Bureau of Labor Statistics via FRED
Data as of Jan. 5, 2024



Here They Come...

Continued from Page 1

Meanwhile, we still must react to the day-to-day happenings. As January moves into February, we will see plenty of economic news. Starting with the first reading of economic growth for the 4th quarter of 2023.

Then, we have the first meeting of the Federal Reserve's Open Market Committee for the year and the first data from January in the form of the jobs report. As Hatcher said in the movie *Rundown* – “That’s a lot of cows.” There will be lots for the economic analysts to digest!... □




“...we must separate the rhetoric from reality...”

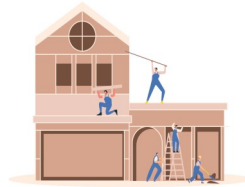
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Housing Deficit

Bank of America housing analysts say that “underbuilding” of U.S. homes over the past decade has not only “absorbed the 2 to 3 million home glut from pre-financial crisis overbuilding” but has also created a “deficit of 4 million” U.S. homes.

Simply put, the analysts say we went from an overbuilt nation to an underbuilt nation over the past decade “The most direct solution for the housing shortage problem is to build more homes,” wrote in a paper published late in 2023, which examined the markets that are—and aren’t—addressing the “deficit.”

The paper Included an analysis looking at building permits issued as a share of the local population. Perhaps not surprisingly, the analysis found that major Sun Belt markets are adding housing units at the fastest clip, while many slow population growth markets in the Northeast and Midwest are lagging behind... 



Source: Fast Company

***In This Issue:
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Come...***

Address Correction Requested