

# REAL ESTATE BROKER'S INSIDER

Management and sales tools for the residential real estate broker, owner and manager

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## 2017 Outlook

### Economy looks favorable for housing, but commission pressures remain

Home prices are poised to keep climbing in 2017, thanks to rising incomes and a tight supply of homes for sale.

While economic forces seem mostly favorable, real estate brokers are likely to face continued pressure on commissions by consumers, along with increasing demands for more generous splits from agents.

That's the consensus view of experts interviewed by *Real Estate Broker's Insider* for our annual outlook — although it might be

wise to note that predicting the future is never an exact science.

The economic climate is creating tailwinds for the housing market. In one hopeful sign, the U.S. economy grew at a 3.2 percent pace in the third quarter of 2016, the federal government says.

In another spark, U.S. wages grew by 2.8 percent from October 2015 to October 2016, according to the Labor Department. That was the fastest pace of wage growth in years.

*(Continued on page 3)*

## Business Models

### Team leader says strictly defined roles are best way to sell

Sasha Farmer runs a top-producing team in Charlottesville, VA, and she proudly lists all the real estate tasks she eagerly outsources to others.

Farmer doesn't update her Facebook page, she doesn't show up for home inspections, and she definitely doesn't put signs in the yard.

"If you see me installing a

sign at your house, something is wrong," Farmer says. "That is not the highest and best use of my time."

Instead, Farmer has established clearly defined roles for her team, which operates at Montague, Miller & Associates. Farmer's role is to network, to attend Chamber of Commerce

*(Continued on page 9)*

### FSBOs remain rare in housing market

For-sale-by-owner (FSBO) transactions remained at an all-time low of 8 percent for the second straight year, according to the National Association of Realtors' annual *Profile of Home Buyers and Sellers*.

Fully 39 percent of FSBO sellers say they sold without an agent because they didn't want to pay a commission.

Intriguingly, FSBO homes typically stayed on the market for just a week before selling, NAR says.

FSBOs tend to be affluent. They had a median income of \$100,600, NAR says. And more than half were not especially motivated to sell.

FSBOs have been on the wane for years, in part because the real estate industry has begun to offer cut-rate options for do-it-yourself sellers.

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## Broker-to-Broker

# Manhattan broker learns to delegate, stay focused as company grows

From its sleek website to its roster of young agents to its hipster name, Mdrn. Residential strives for a fresh new approach to Manhattan real estate.

“Mdrn. references modern in both real estate’s physical sense and as a reflection of the innovation we strive for daily,” says Zach Ehrlich, chief executive officer of the 40-agent company.

Ehrlich spoke to *Real Estate Broker’s Insider* about his career and his business philosophy.

■ **My first real job was as one of the first employees of a New York real estate developer focusing on development and project management.** I watched the company grow from a couple of people handling almost everything to a sophisticated and institutional operation. I

learned the business from acquisitions to construction to project management — but the most important thing I learned was how to properly lay out a vision for a business and grow it. That had a major impression and impact on someone who was just out of college.

■ **A defining moment came when we moved Mdrn.’s operations out of WeWork, a popular international co-working space.** Establishing a dedicated presence and

moving from an incubation to scaling phase was an incredible feeling.

■ **Surround yourself with people who are more specialized, knowledgeable, and experienced.** I’ve learned I don’t necessarily have a specific skill set, but I have a set of skills that run the gamut, not least of which is being able to take an idea and build infrastructure and a business around it. Along those same lines, knowing your strengths is important, but you should have an even better understanding of your weaknesses.

■ **Scaling our core real estate business by building out a great team has been a real success.** We’ve been lucky and moved quickly to bring in a variety of talented professionals with strong real estate backgrounds as well as several with experience in other business areas. The culture we have developed is not something that gets created overnight. Fostering the identity our agents and personnel have with the firm has taken time, but it has proven enormously successful.

■ **Being able to pick up from my desk and be as effective when I’m working remotely is difficult.** I can work, but I’m really more reactive than proactive. It’s challenging, but I continue to push myself to be more mobile.

■ **The biggest challenge I’ve always had is micromanaging.** When Mdrn. was founded, there was no director of operations, so I was spending an excessive amount of time interfacing on items that were time consuming and not necessarily what I

### Broker Bio

**The Broker:** Zach Ehrlich, Mdrn. Residential.

**Success Strategy:** Recruiting talented agents.

**Business Challenge:** Avoiding micromanaging while building a business.

**Recommended Reading:** *Start-Up Nation* by Dan Senor and Saul Singer. “I just returned from an extended trip to Israel, where I had a firsthand look at the tech ecosystem that Israeli entrepreneurs have built and are continuing to grow to address global issues. This book gives an incredible view into what this culture means and how it developed — which is worthwhile for any leader to understand.”

was best at doing. When you are growing a company, this is partly necessary. But at some point it becomes a hindrance and more of a roadblock in being able to see and think about the bigger picture. If you are really cut out for a CEO role, you can't allow operation breakdowns to interfere with the larger vision you see and set.

■ **Attempting to do too much on my own is a mistake I've made.** There is a limit to what any one individual is able to do to impact an organization, and this is where a well-developed team is essential. The more one learns to delegate and focus on strengths, the easier it is to scale in a meaningful way.

■ **What makes Mdrn. Residential stand out in a sea of other brokerages in New York City?** Our internal resources, culture, and the imprint that design and marketing have made all over the business. Agents have access to highly unique resources in the brokerage space, including a full-service design and marketing studio within the firm.

■ **Residents will have vastly improved living experiences as a result of tech and the Internet of Things.** Real estate will continue to be valued-based on location and other physical attributes, but tech and digital tools will create new paradigms for modern living.

Contact: Zach Ebrlich, Mdrn. Residential, 646-582-6925. 



## Economy looks favorable for housing, but commission pressures remain *(Continued from page 1)*

What's more, young Americans finally are beginning to form households and buy homes.

"We think housing will begin to march forward in the coming years," says National Association of Realtors Chief Economist Lawrence Yun.

However, it could be a slow march. Zillow forecasts home values to slow to a 3 percent appreciation rate by October 2017, down from a 6 percent pace in 2016.

Many expect a flood of young buyers in 2017. First-time buyers largely disappeared in recent years, but that trend has reversed. After slipping for three straight years, the share of sales to first-time buyers in 2016 ticked up to 35 percent, according to the National Association of Realtors.

Many housing economists expect millennials to start buying with a vengeance.

"We're already at a point where the largest group of buyers is millennials," says Svenja Gudell, chief economist at Zillow. "Especially for first-time home-

buyers, we're going to see the number of millennials rising."

Not every housing market is in reach of millennial buyers, of course. The San Francisco Bay region, with its \$1 million median price, offers an extreme example.

"We don't have a millennial market per se," says Robin Dickson, executive vice president of J. Rockliff Realtors in Danville, CA. "They just can't afford it."

To one degree or another, an affordability squeeze has helped cool Americans' love affair with housing. The U.S. homeownership rate edged up slightly to 63.5 percent in the third quarter, just above the 51-year low of 62.9 percent in the second quarter.

"Those numbers represent a trend that's pointing in the wrong direction," says Bill Brown, a California broker and president of the National Association of Realtors.

*"I think pressure on commissions has eased somewhat over the past two years."*



Brown is pushing for less stringent restrictions on mortgages, along with credit scoring models that favor renters. What's more, he wants Realtors to let renters know that buying doesn't require a 20 percent down payment. Some loans allow borrowers to buy with as little as 3 percent down.

Brown says the homeownership rate needs to be higher, although he declines to offer a specific goal that the real estate industry should aim for. Brown does say that the boomtime record of nearly 70 percent wasn't healthy.

"You can't use that as a benchmark," he says.

Zillow's Gudell agrees. She expects the homeownership rate to settle into a range of 64 percent to 64.5 percent and stay there.

But she dismisses the idea that Americans are eschewing ownership for "renters nation."

"If you ask most millennials, they'll tell you owning a home is part of the American dream," Gudell says. "Their views are quite conservative."

While many predict a youth movement in the U.S. housing market, buyers are richer and older than ever. The median age of a home buyer in 2016 was 44, close to the oldest on record, and

household income was \$88,500, the highest ever, according to the National Association of Realtors.

### Wither mortgage rates?

One wild card: Mortgage rates. The average rate on a 30-year mortgage jumped from less than 3.5 percent before the Nov. 8 election to more than 4 percent the week of Nov. 23.

"Any increase in interest rates is somewhat unsettling to the housing market," says Geoff McIntosh, president of the California Association of Realtors and broker-owner at Main Street Realtors in Long Beach, CA. "In California, where the median price is more than \$500,000, half a percent is the difference between qualifying and not."

Housing experts expect mortgage rates to rise gradually in 2017 as the Federal Reserve begins tightening rates and as President-elect Donald Trump begins spending on public infrastructure programs.

Another cause for concern comes from the apparent hollowing out of the American middle class. While workers are thriving in such tech-centered cities as San Francisco, Seattle, and Denver, they're struggling in places like Cleveland and Detroit.

In Rust Belt regions that voted for Donald Trump, NAR's Yun says, "The American dream is no longer the American reality."

Just 10 percent of Americans have stock portfolios of a size Yun considers "meaningful."

"Total wealth has doubled, but it's a very concentrated wealth," Yun says.

That could mean a shrinking number of Americans who are in the market for homeownership. Another challenge for Realtors: Homeowners are staying put longer.

Bay Area homeowners once moved every five to seven years, Dickson says. Now it's more like every 11 to 15 years. The staying-in-place trend has emerged

## What will 2017 bring?

Among the predictions from economists and brokers for this year:

- **Home prices could cool.** Zillow predicts gains will slow to 3 percent in 2017 from 6 percent in 2016.
- **First-time buyers come back.** An improving economy could lure new buyers.
- **Rising mortgage rates.** Rates jumped in November and are expected to rise throughout 2017.
- **Buyers get richer and older.** In 2016 the median age of a home buyer was 44 and median household income was \$88,500.



To see demographic trends for U.S. homebuyers, go to [www.BrokersInsider.com](http://www.BrokersInsider.com) and click on "Web Extras."

nationwide, as Americans spend more on renovations.

### Commission squeeze

As consumers have grown more active in home searches and other details of their real estate transactions, they've begun to shop around for agents who are willing to offer some sort of discount.

That trend seems likely to continue, says Matt Widdows, owner of HomeSmart in Scottsdale, AZ.

"We're going to continue to see a push down on commissions," Widdows says. "Just in the last five years, we've seen consumers continually more empowered."

Many brokers consider commission pressure an everyday reality.

"We have a saying in our company: When the pie gets smaller, the table manners have to change," says Rei Mesa, president of Berkshire Hathaway Home Services Florida Realty.

McIntosh, however, takes a contrarian view of commission trends. As marketing times lengthen, sellers seem more willing to pay more generous commissions, he says.

"I think pressure on commissions has eased somewhat over the past two years," McIntosh says. "In a more normal market like the one we're experiencing now,

people seem to have an understanding that there is work, there is marketing, that there's more involved than just sticking a sign in the yard."

Even those who expect a squeeze on commissions say Realtors occupy a crucial place in the economy.

"We're not going away, but we have to be ready for it," Widdows says.

Just as agents find themselves negotiating commissions, brokers face agents asking for more generous splits.

"That's the reality of big brokerage today," says Pete Galbraith, Coldwell Banker Select in Oklahoma.

Realogy Holdings has been the highest-profile brokerage to say it's offering more generous splits to agents. In 2016, Realogy Chief Executive Richard Smith acknowledged that the company was forced to offer higher splits to keep rivals from poaching agents.

"That made us not competitive in a number of markets," Smith said in a recent call with Wall Street analysts. "So we have changed that, and that is built into our margins."

*Contacts: Robin Dickson, J. Rockliff Realtors, 925-855-4005; Geoff McIntosh, Main Street Realtors, 562-719-2206; Matt Widdows, HomeSmart, 602-230-7600; Rei Mesa, Berkshire Hathaway Home Services Florida Realty, 954-693-0127; Pete Galbraith, Coldwell Banker Select, 918-224-5915. REBI*



## Agency Marketing

### Agent uses virtual reality to host remote open house

Ohio agent Anthony Colantuono was excited to land a listing for a \$1.65 million mansion near Cleveland, but he was frustrated that he couldn't pin down his sellers to commit to a brokers open house.

Then Colantuono had a brainstorm: He'd hold the open house using virtual reality.

Colantuono, an agent at Coldwell Banker Hunter Realty, pulled off the event successfully. More than 100 agents showed up for the open house — which Colantuono hosted at a restaurant 20 miles from the listing, a distance intended to underscore the borderless nature of virtual reality.



Agents used Samsung phones and headsets to take five-minute tours of the 9,200-square-foot house.

Colantuono enjoyed watching goggled agents swivel their heads as they inspected the virtual house.

Aside from the goggles, the open house was much like any other. Agents networked and sampled appetizers provided by a title company.

Virtual reality technology is poised to be the next big thing in real estate marketing, and Colantuono faced a steep learning curve.

Colantuono owned a Matterport camera for shooting 3D footage, but he knew little else about virtual reality (VR). A conversation with his AT&T phone salesperson led him to a Samsung sales rep — who agreed to provide a free loan of phones and VR goggles for the open house.

Creating the VR tour was time-consuming. Colantuono says he spent

about five hours capturing 3D images of the house with the Matterport camera. He skipped the basement, and the camera doesn't work outdoors, so Colantuono relied on drone footage to show the backyard pool.

The coolness factor of VR proved a hit among Cleveland-area agents.

"People's reactions when they put those goggles on — it was amazing," Colantuono said. "People said, 'I felt like I was there.'"

Alas, VR comes with one notable downside: It can cause motion sickness. Colantuono acknowledges that viewing his own VR tour made him a bit nauseated.

For that reason, he says of VR technology, "I don't think it's ready yet."

Even so, Colantuono is already planning another open house via VR. To avoid motion sickness, he plans to limit VR tours to about five minutes.

Contact: Anthony Colantuono, Coldwell Banker Hunter Realty, 216-299-2359. 

## Regulatory Trends

### Brokerage loses case of shrinking Malibu mansion, but broader effects unclear

For years, a millionaire mansion buyer and Coldwell Banker Residential Brokerage Co. have litigated their dispute over a listing agent's misleading representation of the size of a property.

The California Supreme Court finally ruled in late November, finding in the buyer's favor. But the actual effect of the ruling remains open to interpretation.

Some see the state Supreme Court's ruling as a crippling blow to dual agency. Others counter that the case applies only in very limited circumstances.

Perhaps agents would be forced to reveal confidential information, or drop

out of two-sided transactions altogether. In this instance, though, it seems as if the entire dispute would have been avoided by listing information that didn't inflate the size of the home by some 5,000 square feet.

Agents from Coldwell Banker handled both sides of the disputed deal. The National Association of Exclusive Buyer Agents, a longtime foe of dual agency, entered a friend of the court brief siding with the plaintiff.

"This case clearly illustrates how confusion is created and mistakes can happen when a real estate brokerage tries to represent both the buyer and the seller



in the same transaction,” President Dawn Rae says. “Real estate agents should be cautious when working an in-house transaction, and consumers should be aware that they need to look out for their own interests unless they are working with an exclusive buyer agent.”

But the California Association of Realtors sees little effect on business as usual. President Geoff McIntosh calls the case “a teaching moment” that gives brokers an opportunity to remind agents of the pitfalls of dual agency.

Otherwise, he says, “It’s a very limited-scope decision regarding that specific case. I don’t think it has a dramatic impact on the industry.”

The case centered on a Chinese millionaire’s purchase of a property in 2007. The buyer, who goes by the Japanese name Hiroshi Horiike, paid \$12 million for a Malibu mansion.

The listing agent, Chris Cortazzo of Coldwell Banker, told Horiike that the house was “approximately 15,000 square feet.” Cortazzo offered written caveats that he hadn’t measured the mansion. Horiike was represented by another agent at Coldwell Banker.

After Horiike bought the house, he learned that the home’s true expanse was less than 10,000 square feet.

Horiike sued and lost. He appealed and won, and Coldwell Banker appealed to the California Supreme Court.

Horiike didn’t sue the Coldwell Banker agent who represented him, and Coldwell Banker argued that the agents, even though they worked for the same broker, owed a fiduciary duty only to their own clients.

Supreme Court justices concluded that state law requires the listing agent to make an accurate accounting of a home’s size to the buyer if the buyer is represented by an agent of the same broker.

“Cortazzo, as an agent of Coldwell Banker in the transaction, owed Horiike a duty to learn and disclose all facts materially affecting the value or desirability of the property,” the unanimous court wrote.

Coldwell Banker parent Realogy Holdings Corp. has told investors that it doesn’t expect the case to have “a material adverse effect” on its operations. **REBI**

***“A teaching moment” that gives brokers an opportunity to remind agents of the pitfalls of dual agency.***

## Management Tips

### **In extroverted industry, make room for introverts, expert says**

If there’s an industry tailor-made for extroverts, it’s residential real estate.

The stereotypical agent is a chatterbox who schmoozes everyone she meets. The prototypical manager is a cheerleader who feels comfortable leading agents in rah-rah sales meetings.

But you need not be outgoing to succeed in sales or management, argues

Susan Cain, author of the bestselling book *Quiet: The Power of Introverts in a World that Can’t Stop Talking*. Cain spoke to a crowd of hundreds during the National Association of Realtors annual conference in Orlando.

Cain describes herself as a book-loving introvert who for years had been on a mission to make herself more of an extrovert.



“I was always trying to prove to myself that I could be this bold, rowdy, extroverted person that society was pushing me to be,” she says.

Eventually, she realized that her effort was misguided.

“It’s a mistake to turn yourself inside out,” she says.

A third to half of people are born introverts. A lucky few are “ambiverts” who thrive equally in solitude or in crowds.

The difference between extroverts and introverts doesn’t stop with the volume of their voices, Cain says. The distinctions go far deeper.

“This isn’t just about, ‘How do I behave at parties?’ It’s, ‘How do I function in the world? How do I process information?’” she says.

For instance, introverts often express emotions in subtle ways, while extroverts are far more expressive. This difference makes it easy to misinterpret how introverts are feeling.

Cain offers a few ways for introverts and extroverts to understand themselves and each other:

**Introvert Tip: Speak up early in meetings.** “In a typical meeting, you have three people doing 70 percent of the talking,” Cain says.

An introvert quickly can lose her nerve in such a setting. So before a meeting, an introvert should make a plan to say something early, before the extroverts exert their dominance. Rehearse if you need to.

**Extrovert Tip: Talk less.** Extroverts are big talkers, and they tend to dominate group meetings and one-on-one conversations. Listening comes naturally to introverts — and that’s one reason that some introverts excel at sales. If you’re an extrovert, make an effort to speak less and listen more.

One advantage to listening: It might help ward off “groupthink,” that powerful malady that, during the real estate bubble, helped convince an entire industry that home prices would always go up, never down.

**Introvert Tip: Tap into others’ enthusiasm.** Extroverts do this naturally. They’re energized by social interaction. But feeding off others is less automatic for introverts.

Introverts should learn how to take enthusiasm and inspiration from others.

**Introvert Tip: Schedule time to recharge.** Introverts can function at parties and networking events, but they tend to be exhausted by the effort. If you’re an introvert, make time to recharge by quietly reading or otherwise chilling out.

**Introvert Tip: Try one-on-one networking.** Instead of aggressively networking at a Chamber of Commerce meeting, try for deeper one-on-one connections. Introverts tend to become more animated in more intimate settings.

**Extrovert Tip: Don’t ignore introverts.** Because they’re quiet, introverts are easily overlooked. They’re not the ones touting their accomplishments or angling for higher splits.

Even so, introverts can be valuable members of your team, so make an effort to engage them, Cain says. Introverts and extroverts frequently find they work well together.

“There’s often a real chemistry that evolves between the two types,” Cain says.

**Introvert Tip: Find a comfortable way to motivate.** If you’re an introverted manager, you’re probably not keen on leading sales meetings. But you can find other ways to keep the troops energized. For instance, handwritten notes allow an introvert to be expressive without trying to fire up a crowd. **REBI**

*“It’s a mistake to turn yourself inside out.”*

# Team leader says strictly defined roles are best way to sell

(Continued from page 1)



functions, and to serve on the United Way Board.

“Sometimes I realize I didn’t do anything other than network and go to cocktail parties,” Farmer says. “I am the rainmaker. I am getting paid for the highest and best use of my time, and that is not to make brochures.”

Farmer says her goal is to generate 40 leads a month, and convert eight of those leads into closings. Her division of labor comes partly in response to what she calls an intensely competitive real estate market in Charlottesville. The town, home of the University of Virginia, counts 1,100 agents to serve a population of just 45,000.

Against that backdrop, she says, it’s difficult for a jack of all trades to thrive.

“If you really want to create a resilient business, there’s no way you can do it all and do it all well,” Farmer says. “I hate to offend you, but there’s just no way. In this day and age, things are moving too fast.”

## Improving listing presentations

Farmer focuses on working her farm and on making listing presentations — and she has created systems to boost her chances of success.

For starters, Farmer sends a glossy hard-copy marketing piece to the seller before the listing appointment. She also asks that sellers fill out a “homework sheet” that includes such documents as floor plan, survey, mortgage balances, and other information.

The idea is to maximize her time at the listing presentation.

“I’m not going to roll into your house and be left in the kitchen while you’re upstairs going through filing cabinets,” Farmer says. “If I get to the listing and [the sheet] is already filled out, I know I’ve won that listing.”

She also asks questions that aim to determine just how motivated and realis-

tic the seller is: “What did you think your home was worth at the peak of the last market? What do you think it’s worth today?”

Sellers almost always fill out the form with numbers that reflect their expectations. And the answers help her weed out sellers with unrealistic expectations.

## Delegating Facebook updates

Reflecting her desire to stick to certain tasks, Farmer rarely touches her team’s Facebook page. A non-licensed assistant fills the Facebook page with content.

While Farmer doesn’t spend much time on Facebook herself, she prizes the site’s analytics.

For instance, she has learned that in her market, houses that sell in 30 days or less get 10,000 hits on Facebook in the first 48 hours. If a house draws only 5,000 hits on Facebook, it won’t sell in less than 30 days.

If it’s time to urge the seller to reduce the price, that’s a valuable bit of data in her arsenal.

“You’re not the bad guy. You’re just saying, ‘Here’s what that market is telling you,’” Farmer says.

As part of Farmer’s division of labor, buyer agents get all of the leads, and they arrange showings, home inspections, and closings. They can make good money: One buyer agent makes \$120,000 a year, Farmer says.

Farmer herself makes a quick weekly call to check in on clients, but most of the details are left to buyer agents.

“I do not handle anything unless it’s blowing up,” Farmer says. “This is embarrassing, but it’s OK: I barely speak to my seller from the moment that we meet for that first listing meeting until the time the house closes, other than a weekly call.”

Contact: Sasha Farmer, Sasha Farmer Team, 434-260-1435. 

***“I am getting paid for the highest and best use of my time, and that is not to make brochures.”***



## Matching site lets consumers compare agents online

UpNest.com is a spinoff of a corporate parent known as LessThan6Percent Inc., so you'd expect the real estate platform to stress discounted commissions.

In fact, says UpNest Chief Executive Simon Ru, consumers who use his site are interested in convenience as well as discounted commissions.

UpNest connects buyers and sellers with agents in their markets. Ru calls the site "Uber for real estate."

"Our mission is to make the process of hiring an agent much more efficient," he says. "Our value proposition for the consumer is really convenience."

Consumers solicit bids, and agents lay

out such details as their commission rate and any rebates they offer. For consumers who aren't keen to haggle face to face, UpNest allows for some negotiation.

"These agents are coming to you with a full proposal of exactly what the agent is going to do for you," Ru says.

Agents, for their part, get leads. UpNest collects a fee of 25 percent to 30 percent when a transaction closes, and Ru says agents are willing to pay for the referrals.

"They have 70 percent of revenue they otherwise would not have had," he says.

Contact: Simon Ru, UpNest, 800-692-5010. **REBI**

### Economic Trends

## Tiny houses spur interest

When she listed a 544-square-foot tree house in Maine, Traci Gauthier was surprised at the outpouring of inquiries.

"I had more interest in that property than in any other listing I've ever had," says Gauthier, an associate broker at United Country — Lifestyle Properties of Maine in Bangor.

Whether they're made from log cabin kits, repurposed shipping containers, or even a recycled grain bin, tiny homes are enjoying a moment of hipness. Buyers keen to downsize are looking at the humble abodes as a way to untether themselves from their possessions.

"There's certainly a market for it," Gauthier says. "People are realizing it's not a good idea to be house poor."

In Maine, tiny houses tend to be a good value. The 544-square-foot tree

house, situated on 23 acres near the Canadian border, was listed at \$89,000.

It's a one-bedroom, one-bathroom house that boasts a full kitchen. To maximize space, the home includes a stacked washer and dryer, a shower instead of a tub, and a drop-down staircase.

Despite all the interest, Gauthier received, the listing expired before she sold it. (However, she represented a buyer who entered a signed contract on the property.)

"It's not for everybody," Gauthier says. "A lot of people I showed it to didn't realize how small 500-and-some square feet is. I couldn't live in something that small."

Because tiny homes remain a rarity, appraisals and underwriting by lenders and insurers can pose challenges. **REBI**



## Rising prices squeeze affordability

U.S. homes grew slightly less affordable in the third quarter as rising home prices offset a small decline in mortgage interest rates, according to the National Association of Home Builders/Wells Fargo Housing Opportunity Index.

Some 61.4 percent of new and existing homes sold from July through September were affordable to families earning the U.S. median income of \$65,700. That was down from the 62 percent of homes sold that were affordable to median-income earners in the second quarter.

The national median home price increased from \$240,000 in the second quarter to \$247,000 in the third quarter. Meanwhile, average mortgage rates fell from 3.88 percent

to 3.76 percent in the same period.

The nation's most affordable city was Elgin, IL, where 94 percent of homes sold were affordable to a family earning the area's median income of \$82,500. San Francisco, where less than 10 percent of families can afford a typical home, remained the nation's least affordable major housing market.

## Mortgage discrimination lives on, data show

White and Asian borrowers are more likely to be approved for a conventional loan than black or Hispanic borrowers, according to Zillow's analysis of federal data from the Home Mortgage Disclosure Act.

However, the gap seems to be narrowing. In 2015,

## Feds boost loan limits for 2017

The limit for conforming mortgages will increase to \$424,100 in 2017 in most parts of the United States, the Federal Housing Finance Agency says.

That's up from a previous loan limit of \$417,000, and it's the first time since 2006 that the feds have raised the mortgage cap. In some pricey housing markets, such as San Francisco, the federal loan limit rises to \$636,150 from \$625,500. However, in Honolulu, the cap remains at \$721,050.

Borrowing more than the loan limit requires a jumbo loan, which typically carry higher interest rates and stricter underwriting guidelines than conforming loans.

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22.4 percent of black applicants were denied conventional loans according to HMDA data. In 2010, 30.5 percent of black applicants were denied.

Among Hispanic applicants, 17.3 percent were denied in 2015, down from 25 percent in 2010.

By comparison, 10.4 percent of all conventional loan applications were denied in 2015, a drop from 14.2 percent in 2010.

## Redfin revamps its pricing tool

Real estate brokerage Redfin says an update to its Redfin Estimate algorithm “has substantially increased its accuracy.”

Redfin’s pricing tool was designed to compete with Zillow’s Zestimate. Redfin says its price estimates are available for 65 million homes in 80 metro areas.

## Underwater borrowers continue to emerge

Nearly a quarter of U.S. homeowners were “equity rich,” meaning they had loan-to-value ratios of 50 percent or less, in the third quarter, according to Attom Data Solutions.

As home prices rise and owners stay longer in their

homes, the share of equity-rich borrowers has risen.

Meanwhile, just 10.8 percent of homeowners with a mortgage were “seriously underwater,” defined as a loan-to-value ratio of 125 percent or more. That’s down from nearly 29 percent of homeowners in 2012.

## Winter surprisingly good time to list a home

Homes that hit the market in spring or winter are more likely than homes listed in summer or fall to sell for more than list price and go under contract within 30 days, according to research by Redfin.

It’s no surprise that spring is the best time to list a home. Counterintuitively, winter finishes a close second. Of homes listed in the spring, 18.7 percent fetched more than the asking price, with winter listings not far behind at 17.5 percent. While 48 percent of homes listed in spring sold within 30 days, 46.2 percent of homes in winter did the same.

## Down payments stay unchanged

Down payment sizes have barely budged in recent years, according to the National Association of Realtors’ annual *Profile of Home Buyers and Sellers*.



## Now Trending

### @sethprice

People do not buy goods and services. They buy relations, stories, and magic.

### @BHHSCalifornia

The real estate market doesn’t necessarily cool down with the weather.

### @SmokeonHousing

Dear First-Time Buyers, Don’t buy a home without a Realtor acting as your buyer’s agent. Love, DJ Smokey Smoke

### @REthinkCouncil

Best practices session: ‘It’s back to basics with handwritten notes,’ says @kylerank.

### @mfcompany

Let’s not lose momentum, #realtors! Don’t think Q4 — think of it as a jump on Q1!

In 2016, first-time buyers put down an average of 6 percent, a level that hasn’t changed for three years. For repeat buyers, the average down payment was 14 percent.

NAR says 59 percent of buyers financed their purchase with a conventional mortgage, and 33 percent of first-time buyers took out a low-down payment Federal Housing Administration (FHA) mortgage. FHA loans accounted for more than half of mortgages taken by first-time buyers in 2011. 

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