TOP 5 REAL ESTATE CLIENT TRENDS ACROSS THE U.S. TODAY

READING TIME 10 MINUTES

What do cross-country migration patterns, aging baby boomers, big money investors, first-time homebuyers and downsizers have in common?

According to Issi Romem, Senior Director of Housing and Urban Economics, Zillow Group, they're shaping the future of real estate in a big way. Here's how.

EXPENSIVE VS. EXPANSIVE CITIES

Today's trends in homeownership and home values may come down to just one letter. Switch out the second "e" in the word "expensive" with an "a" and you have the makings of a dynamic shift sweeping the U.S. geographic landscape.

"Expensive" markets, such as San Francisco, Seattle, Los Angeles, Boston, New York and Miami, typically feature geographic barriers like oceans, mountains and swamps that prevent outward development. They also tend to have rules and norms that limit the development of agricultural and virgin land, as well as local land-use policy that tightly caps the addition of new homes in developed areas, both directly and by enabling NIMBYS, aka "Not In My Back Yard" activists. The mix of geography and policy prevents these markets from accommodating everyone who would otherwise live there, thus driving up home values.

In contrast, "expansive" markets, such as Atlanta, Austin, Phoenix, Dallas and Houston, offer plenty of room for new home developments on their periphery, keeping supply abundant and home values affordable. However, like their expensive coastal counterparts, these metros also tend to restrict construction within already-developed areas.

Compare the greater Atlanta metro area, which has expanded its footprint considerably every decade since the 2000s, to San Francisco, an expensive coastal city with stagnant expansion yet a comparable, if not stronger, economy. These two extreme markets illustrate a growing divergence among U.S. cities that traces back as far as the 1970s, according to Issi Romem, Senior Director of Housing and Urban Economics, Zillow Group.

"In the past, American cities sprawled and didn't enable activist neighbors to fight new construction in existing neighborhoods. In the expensive coastal cities, however, we're not 'building up' or 'out' as much as we used to, largely because of local opposition, which is both active and codified into local rules," says Romem.

Together, these factors have conspired to push residents who can no longer afford the high cost of rents and mortgages in the expensive cities to migrate to the more affordable expansive cities.

Meanwhile immigrants, who likely pay less attention to housing costs before they arrive, are moving into expensive cities such as New York and the tech hubs of San Francisco, San Jose and Seattle.

“A key implication of housing cost escalation is that it sorts people into and out of these cities based on their financial ability, and this churn results in an expensive-city population that is increasingly well off,” says Romem.

In contrast, new residential development in economically vibrant expansive cities like Atlanta and Dallas continues to fuel population growth with home values remaining tethered to the cost of construction.

While Atlanta and San Francisco may portray two ends of a spectrum in how they accommodate healthy economic growth, legacy cities, like Detroit and Cleveland, face a different challenge, with struggling local economies that deliver neither housing price growth nor expansion.

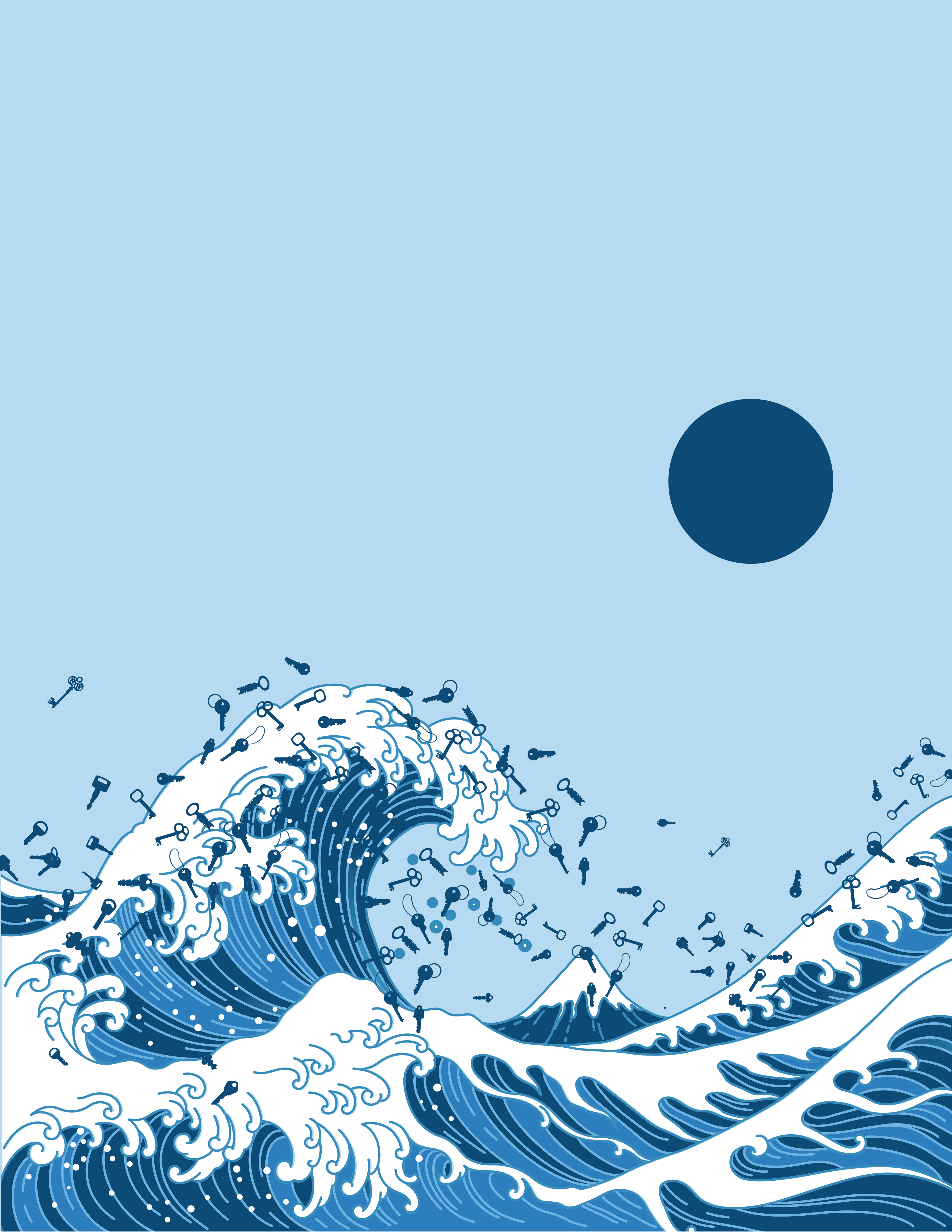
KEY TAKEAWAYS

As population continues to shift toward the expansive cities, restrictive land use policies are likely to become more commonplace in these markets, too. Meanwhile, expensive metros will need to find new means of reforming land use regulation in favor of densification, renewed expansion or both, says Romem.

Other factors, such as self-driving cars, could further alter the future landscape, paving the way for potential densification by freeing the need for parking structures in the most sought-after areas, and perhaps eventually making outward expansion more feasible.

For the present time, agents in expansive markets might capitalize on the migratory shifts by marketing toward residents in expensive markets using targeted ads on social media and real estate sites. Dotloop Senior Product Manager Ture Anderson says expansive city brokers can also tap into relocation buyers by directing marketing toward hotels and moving companies.

Likewise, agents in expensive markets might target international buyers while partnering with teams across state lines.



THE COMING OF THE SILVER TSUNAMI

In about five years, this country will start to witness a "Silver Tsunami" fueled by the aging out of baby boomers and a consequential uptick in available housing. The trend will be particularly felt in retirement communities, yet it will affect all metros, says Romem.

"Over the next 20 years, more than a quarter of the nation's currently owner-occupied homes are likely to hit the market as their current owners age and pass away or otherwise vacate their homes," says Romem. "This will likely color the way the housing market looks over the next 20 to 30 years."

Currently, almost 40% of owner-occupied U.S. homes are owned by residents aged 60 or older, and 55.2% are owned by residents 50 or older. As these households begin vacating their homes, a surge of 20 million properties is expected to flood the market through the mid-2030s. According to Romem, one estimate suggests that homes released by 2027 will comprise about one eighth of today's owner-occupied housing stock.

Cities most likely to feel the impact of the "Silver Tsunami" include retirement hubs, such as Miami, Orlando, Tampa and Tucson, as well as regions that may also be challenged in retaining younger residents, including Cleveland, Dayton, Knoxville and Pittsburgh.

Fast-growing cities with affordable housing that have tended to attract younger residents, like Atlanta, Austin, Dallas and Houston, are likely to feel less impact, Romem notes.

The influx of inventory will help offset the effects of slower new construction, which has been cooling its heels following the mid-2000s housing crisis.

"Housing released by the 'Silver Tsunami' will provide a substantial and sustained boost to housing supply, comparable in magnitude to the fluctuations that new home construction experienced in the 2000s boom-bust cycle," says Romem. "It seems likely that, in the coming two decades, the construction industry will need to place a greater focus on updating existing properties, in addition to simply building new homes."

Formerly out-of-reach affluent areas once relegated to older residents, like the Upper East Side of Manhattan and Santa Monica in California, will also see more turnover as younger millennials move in; whereas, traditional retirement communities, like The Hamptons and Palm Springs, will witness a rise of available properties coming on the market.

KEY TAKEAWAYS

As more baby boomers begin passing away in large numbers in the coming years, the number of currently owner-occupied homes hitting the market will increase, helping offset the housing shortage and the sluggish recovery of new home construction.

Retirement hubs, like Miami, Orlando, Tampa and Tucson, will likely turn into buyers markets as more baby boomers pass. Here are a few tips listing agents may want to consider in these coming buyers markets:

TIME IT RIGHT
Get ahead of the busy spring selling season each year and list earlier to "set the comp," advises Jesse Garcia, a Sacramento, CA-based agent and CEO of Zipi's real estate back-office management suite. Keep in mind that Saturdays are the most viewed day on Zillow. Historical data also shows that listings in early May sell for $1,600 more than the average listing throughout the year.

USE "EASY OFFER" TO BROADEN REACH
Get your listing upfront and center with dotloop's **Easy Offer,** a feature that allows listing agents to share a folder and its documents via a public link, which tracks the names and emails of anyone who accesses the folders. Agents can send the link directly to buying agents as a means of quickly sharing information about the listing or post on social ads or personal websites.

CUT TO THE CLOSE
In a fast-breaking buyers market, listing agents need to be quick on the draw and close deals as fast as possible. Dotloop's Templates can help by automatically loading all the documents necessary for a transaction in a pre-bundled template, enabling the agent to simply fill in a few fields before submitting the offer.

Hagen Kuhl of The Kuhl Team, Vail, CO, says this feature saves his team time as they create loops directly from their integrated CRM software then use dotloop's Templates to pass compliance and close deals faster.

While the "Silver Tsunami" is still a few years away, many boomers will choose to retire in downtowns and urban areas that are closer to shopping, dining and cultural sites, giving rise to the advent of the “urban boomer.”

According to Pew Research, about 10,000 baby boomers are retiring every day, and where they’re choosing to retire is a hot segment for real estate professionals to watch carefully.

One way to cater to retiring boomers is to become a Certified Seniors Real Estate Specialist (SRES). SRES-certified agents receive training specific to the needs of seniors with regards to purchasing and selling real estate and specialize in retirement relocations. **Click here for more tips on marketing to downsizing retirees**.

BIG-MONEY INVESTORS MOVE IN

During the Great Recession a new breed of Wall Street investors increasingly turned their attention to housing as an investment opportunity. Institutional investors started **buying properties** not three at a time but, rather, in the tens of thousands with well-funded financial operations.

These institutional investors typically paid below-market value for distressed homes and then rented them out, says Romem. “Think about places that are relatively affordable, like Phoenix, Atlanta, Houston and Southern California’s Inland Empire, and that took a big hit in the bust. Institutional investors bought many homes in these areas and, although they’re no longer buying as much as they used to, they’ve become an important factor in these markets,” says Romem.

Substantial amounts of foreign capital have poured into American real estate over the past decade, both through institutional investment and direct purchases. Despite global political tensions and rising U.S. home prices, international buyers continue to represent about 8% of U.S. properties valued at $1 million or more, according to NAR’s Profile of International Transactions in U.S. Residential Real Estate 2019.

KEY TAKEAWAYS

Depending on your market, institutional investors may overshadow the “mom and pop” investor of yesterday. Consider international sources for buying prospects with paid digital ads on sites such as Zillow and social media channels. Search neighborhoods for people over age 65 or who have lived at a residence for more than 20 years and may be looking to retire or move to other lower cost areas. “That would give you potential listings you can sell to large investors,” says Anderson.


SALE

FIRST-TIMERS LOOKING AT FOREVER HOMES

With first-timers comprising one out of every two homebuyers, no agent can ignore this important client segment.

The face of the first-time buyer is changing. They're thirtysomething millennials who are waiting longer to get married and tend to be more established than their predecessors by the time they consider buying a home. However, the cost of housing in expensive markets, rising college debt and fewer available starter homes are causing many first-timers to wait longer.

"Many have missed the window in which the starter home is relevant, so they're skipping that step and going straight to their 'forever' homes," says Romem.

According to **Zillow Consumer Housing Trends Report 2018**, these first-time homebuyers are paying typically $230,000 for a 3-bedroom, 2000-square-foot home. More than half have children under 18, and approximately 43% prefer the suburbs over urban or rural areas. They also favor agents' negotiating skills, and place a high value on agent qualities like trustworthiness, responsiveness and market knowledge.

The activities first-time buyers were most likely to say posed challenges are saving for a downpayment, finding a home in their desired location and within their price range. Click here to learn more with a free downloadable **First-Time Buyers Infographic and Customizable Client Checklist**.

KEY TAKEAWAYS

First-time homebuyers are tech-savvy clients who highly value agents for their negotiating skills. They demand quick response times, especially in hot markets. One way to up your response time is by using dotloop's in-app **Messenger**, which lets you share and edit docs, obtain eSignatures, group-text and receive real-time notifications all via text.

Also, advertise where these digital first-time buyers would likely be looking. Emphasize that you specialize in first-time buyers and have inventory that would suit their needs. "Make sure your social media pages are up to date, and show that you are a digital Realtor to provide information they can research on you," says Anderson.

THE UPSIDE OF DOWNSIZING

Homeowners who are downsizing tend to skew somewhat older, typically 56 years of age. As with many real estate transactions, the motivation to downsize often stems from major life change events, such as divorce, death, retirement or declines in health and mobility.

Writing for The Real Deal, a New York-focused real estate news site, V.L. Hendrickson says, "aging baby boomers are fueling demand as they look to downsize to a maintenance-free lifestyle without leaving the area or giving up social ties."

Agents wanting to tap into this specialty niche also must realize that the older downsizing client often needs a little more hand-holding to walk them through the transaction process. Downsizing into a smaller home, especially for seniors who have lived in the same house for many years, comes with its own unique set of circumstances that agents must consider when managing these deals.

"There is a certain skill set involved when helping clients downsize," says Seth Tilton of ERA Evergreen, Hilton Head, S.C., whose downsizing clientele represents about half of his business. "These clients are parting ways with larger family homes and keepsakes of many years."

Location is a paramount consideration, especially for older downsizers who need to think about their future health needs. The distance to shopping, healthcare, family members and social connections are top concerns when vetting relocation properties.

Similarly, downsizers want to look closely at factors like stairs, hallways, doorways and interior spaces. Will the home buyer be able to scale a flight of stairs or pass through a 100-year-old house's narrow doorways in a wheelchair? Remember: While a 60-year-old may be in perfect health today, he'll need to think 10, 20 or even 30 years down the line.

KEY TAKEAWAYS

Many older residents have spare space in their homes and could use the extra income an investment property might offer. Meanwhile, many younger people, especially in expensive markets, are seeking small spaces at affordable rates. Real estate agents are in a prime position to bring these two “dual tracker” entities together. Dotloop’s **Trusted Service Providers** tool can help by helping the homeowners coordinate contractors and financing to make these shared homes more attractive move-in ready properties.

For more tips on how to market and serve the downsizing client read **“10 Top Ways Agents Can Up Their Downsizing Game.”**

In Conclusion

As you broaden your sphere of influence, think about these 5 macro trends as potential lead sources. While no one trend will likely capitalize your business and many will develop over time, a greater awareness of each can help you tap into emerging client segments and grow your business.

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