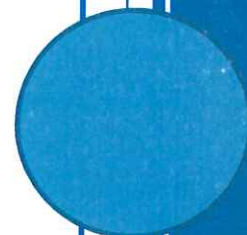


2017 REPORT ON HIGH POINT REGION REAL ESTATE MARKET & ASSOCIATION'S SOCIAL RESPONSIBILITY

**By: Joan Swift, 2017 President
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The Real State of Real Estate

Sales = Up..Home Prices = Up..Days on Market = Way Down..Inventory = 2-3 mos. (usual 6-9)

2017 Report to City Council

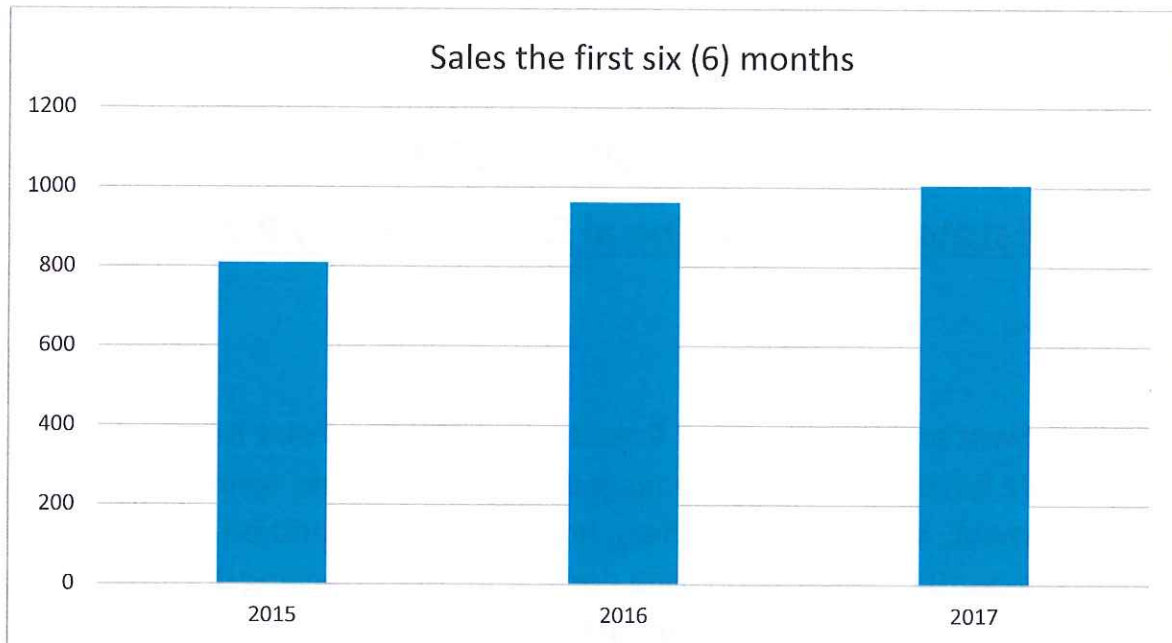
On High Point Region

Real Estate Market & Social Responsibility Programs

My name is Joan Swift and I am the 2017 President of the High Point Regional Association of REALTORS®. We have 566 members engaged in residential and commercial brokerage, property management, appraising for others, home inspecting, and other allied specialty groups. We are in our 94th year of honoring our traditions, governing documents, guiding principles and tenants we hold dear. There are 6 towns and parts of 4 counties in our market namely Archdale and Trinity in Randolph County, Thomasville in Davidson, High Point and Jamestown in Guilford, and Kernersville in Forsyth County.

The market is in the throws of countering a 5 to 7 year recession, with slow, steady growth for the last 4 years. 2013 was the best market in 6 years. And market conditions have been better every year since then. In fact, National Commercial Real Estate News reports that the homeownership rate climbed in the second quarter of 2017, an increase of nearly a full percentage rate from a year ago when it reached a 50-year low.

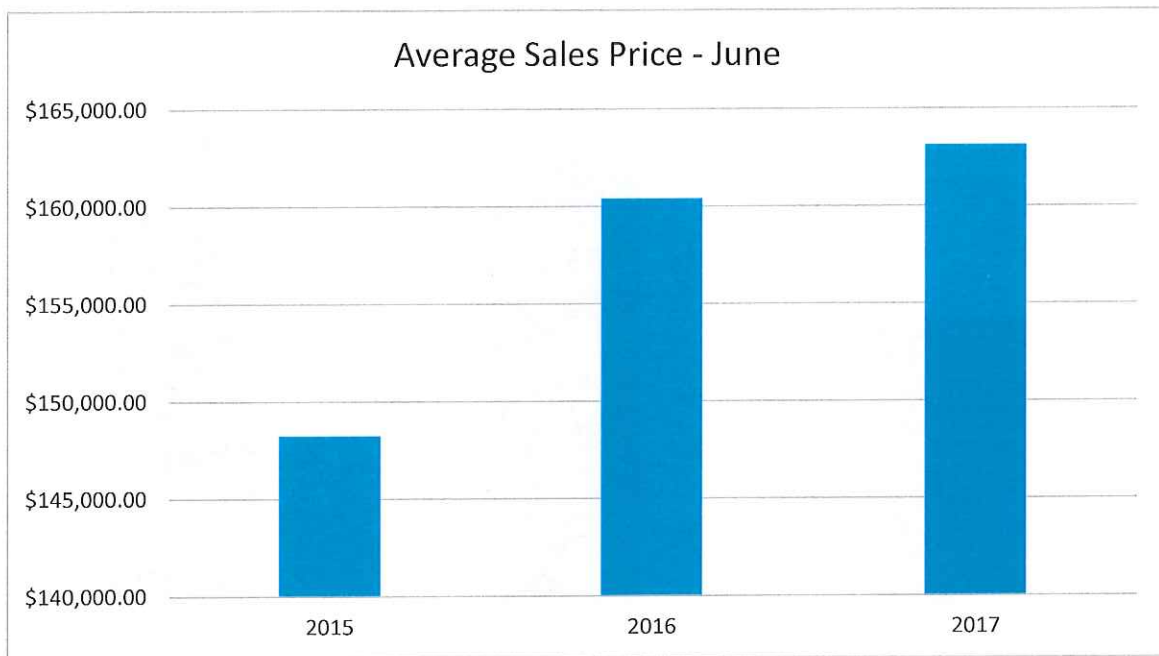
A graphic illustration of sales in the first 6 months for each of the past 3 years shows just how significant the improvement has been: 2015 = 810, 2016 = 962, 2017 = 1006. This in contrast to a recent National Association of REALTORS® report of existing home sales slipping in June from May levels.



These figures translate to increases of 19% between 2015 and 2016, 5% between 2016 and 2017, and a very healthy 25% between 2015 and 2017.

High Point is a product of slow, steady, and sustainable growth. This as opposed to “flash in the pan” artificially accelerated development, which can lead to a dramatic, tumultuous, and rapid decrease in values as was seen in many parts of the country during the recession.

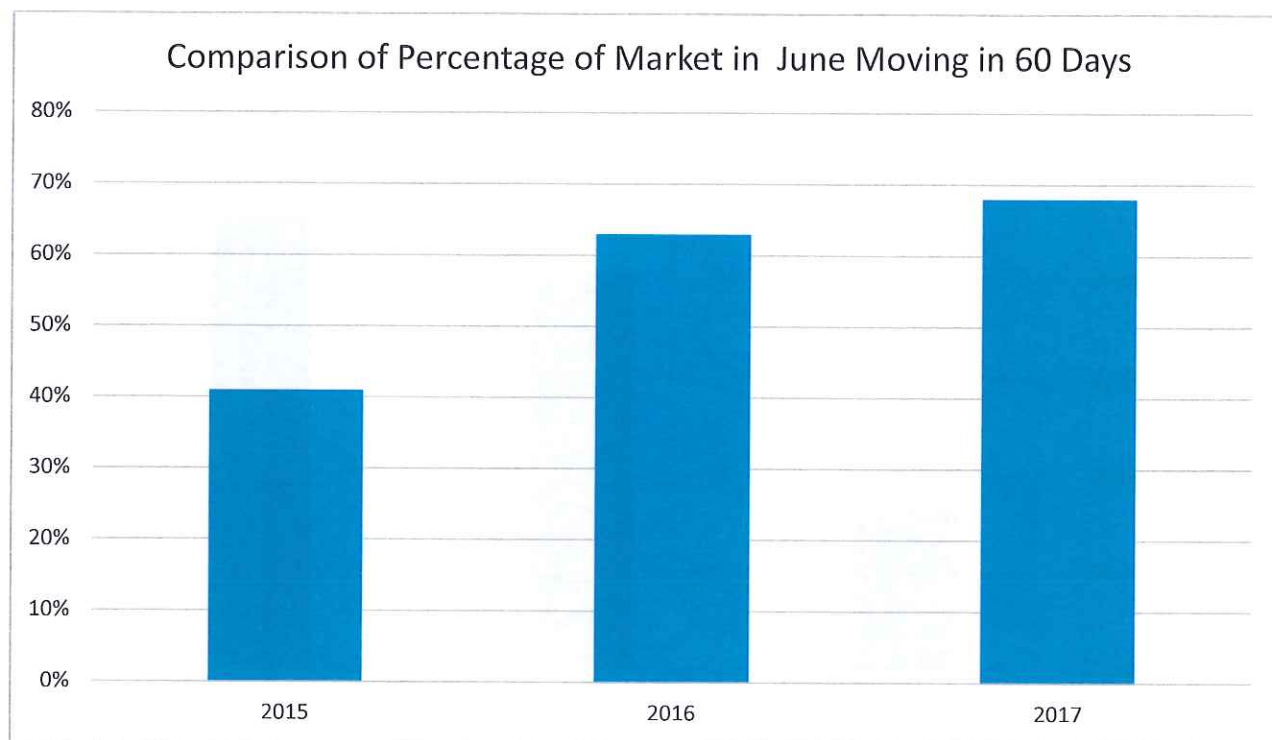
We've now moved well beyond a 15-20% decrease in house values between 2008 (start of the downturn) and 2013 (start of the uptick). A comparison of average sales price for June of each year is a true sign of the improvement in market conditions. For 2015 the figure was \$148,291, 2016 produced \$160,402 and in 2017 the average was \$163,139.



Prices might not see the rapid, almost artificial escalation of the early to mid-2000s, but we've returned to market conditions where we see a modest, but healthy yearly appreciation for any housing investment. It is hard to attach a number to this until the economy stabilizes more. Unless the bottom falls out there will be a period of stability and appreciation. In fact, we've seen several expert predictions that the volume of sales and house values will continue increasing for the next 3 to 4 years.

A national trend which has not yet found its way to our region is young people choosing to live downtown close to jobs, transportation, and night life. This probably will take a while to take hold in our area. It is interesting to note that High Point is making a conscious effort for this to happen sooner rather than later. Gratifying that the REALTOR® Association has offered to be involved in this effort.

Now let's turn attention to another market indicator.....days on market. Our comparison will be based on the percentage of the market moving within 60 days. Again, using June as our comparison benchmark we find: 2015 = 41%, 2016 = 63%, 2017= 68%.



There is still strong pent up demand for new household formations. Because of our recession many extended families had to live together. And even though the recession is "officially over" its effects linger and there is still a significant amount of 'group living'. With the economy continuing its healing process many once in a group living arrangement are seeking independence and wanting to create their own household. There is a new trend toward arranging financing for credit worthy borrowers. Kiplinger letter reports that 60% of new home loans are going to folks with credit scores of 760 or higher.

Some of these are choosing the rental life style. Some people prefer the flexibility that renting offers. A factor in the housing market today are property management occupancy/vacancy rates. These are important for several reasons:

- Housing must be available immediately when a company is relocating to our region. This calls for collaboration and cooperation between the Economic Development Corp. and the REALTOR® Association. And we are undertaking this.
- A healthy real estate market should be able to give those wanting to form their household a choice between purchasing and renting.
- Today's average occupancy rate hovers between 98-99%, the highest it has been in years.....perhaps ever.
- Also, rentals for corporate executives now has its own term "executive rentals". High dollar properties that don't sell as quickly as the owner expects are prime candidates for an executive rentals database. Within our REALTOR® Family that is being discussed and promoted.

Comments About Commercial Market

The commercial market is experiencing its traditional slowdown because of the July, and pre-school August vacation period. But in general terms the commercial market certainly seems to be healthy and steadily improving.

Now seems to be time to begin many projects and commercial professionals say they see a good mix of "tear down and build anew" and redevelopment. It is following the expected cycle of lagging behind the residential market by 15 to 18 months.

Property managers may see a very, very high occupancy rate for residential units, but office space is a different story. We're victim to a stubbornly high national vacancy rate of 16%. Store closures are continuing to plaque retail rentals.

Interest is growing over the recently announced multi-use sports/entertainment complex. Accompanying attractions like an events center, children's museum and park, and free educational theater are attracting supporters to the downtown catalyst project.

Another positive note is that new businesses are being aggressively and successfully recruited into the area and in general the economic market is on the upswing.

Housing's Economic Impact

A formula developed by the National Association of REALTORS® says that based on the number sales since our 2016 Report to you:

- We have created the need and opportunity for more than 900 new jobs.....
- Over time the region will realize \$millions of dollars in capital infusion, primarily through increased tax base and real estate related services.

A caveat is that the lingering effects of the recession has resulted in a delay over seeing these. Another aspect of housing that will have strong positive impact on economy is homebuilding to meet the demand of low inventory, downsizing seniors, millennials looking for housing close to jobs, and remodeling since the inventory of available houses is so low.

Predictions for a Healthy Real Estate Market

- **Sales will remain strong for at least 3 to 4 years** because of pent up demand for household formation due to young adults trying to become independent now after having to live with parents as a result of the recession. In this area sales in '17 are outpacing those of '16 and '15. Consumer confidence is strong and increasing with each quarterly report.
- The rental market will remain strong because some folks prefer the relative flexibility of the rental life style. They need life style choices. Look for rents to rise. And currently there is an inventory shortage of houses for sale and new construction.
- **There will be a healthy growth in home prices and sales.** We're experiencing both in this region and at a faster pace than in 2016. Additional appreciation will depend on the ups and downs of current economic conditions. **Over the past 5 years home prices have grown 4 times faster than personal income. And that trend will continue for several years.**
- Despite the recent record lows, mortgage rates will likely be volatile in 2017. But despite any increase they will remain at historically low figures. Even at increase mortgage interest rates consumers are continuing to enter the home buying market.

- In 2017 builders will likely shift to a more affordable product to cater to entry level buyers. In addition, access to credit is improving enough to make first-time buyer segment more attractive to builders.
- The next several years will show an increased housing demand for both Older Americans choosing to downsize as well as Millennials.
- There is and will continue to be strong movement towards this becoming a seller's market because:
 - o Increasing mortgage rates
 - o Slowly increasing inventory
 - o Increasing prices

Social & Civic Responsibility

The REALTOR® Association recognizes and is committed to responsibly fulfilling our corporate civic and social responsibility. We strive to be a good corporate citizen. We gladly accept the accountability we have to our members' communities for the social, ethical, and principled effects of our programming.

In order to claim the title of 'Voice for Real Estate in this Market' we dedicate resources to identify partnerships and alliances that allow us to join forces with business, legislative, and education communities to find solutions to real estate related challenges.

Average is out. Excellence means relevance to those that cross your path. In our initiatives for 2017 and beyond we are committing to credible and relevant involvement in identifying and spearheading growth opportunities. Some of our Annual REALTOR® Family activities include:

- Blood Drives.
- Food Drive – our philosophy.....anything helps!
- Host area youth to an afternoon of America's Traditional Pastime.....baseball! This is a once in a lifetime treat for many.

- Our Young Professionals Network hosted 1) their first 5K fundraiser with all proceeds to World Relief, and 2) a day long career Day/Expo between real estate professionals from various disciplines and the Boys & Girls Clubs. Scholarships to:
 - a. Leadership High Point (Chamber of Commerce)
 - b. Central Carolina Regional Leadership Academy
 - c. North Carolina REALTORS®' Leadership Academy
 with the goal of equipping REALTORS® for excellent leadership, both for REALTOR® Associations and also for leadership within all the communities in our regional market.
- Leverage the REALTOR® Seat on the Housing Coalition to maximize stakeholder participation in planning and promoting the Affordable Fair Housing Program.
- Fill a seat on the Human Relations Commission and bring to the table the interactions of more than 500 REALTORS® and nearly 50 Allied members.
- Participate actively as a stakeholder representing the REALTOR® Family on private and public organizations as requested.

And

Several things of special note:

- **City Leadership Summit** – Mayor and City Manager from 6 area towns presented to Board of Directors focusing on characteristics, planning and growth opportunities.
- REALTOR® Safety Initiative – major thrust involving agent safety and company safety procedures, aimed at keeping our REALTOR® Family safe.
- **Honorary Director Program** – bringing in business, legislative and education leaders periodically to keep our Directors updated on area events and where/how our assistance is most needed.
- In concert with High Point Convention + Visitors' Bureau refine + promote REALTOR® Family Certification Program.
- Used clothing drive – **collections to support those most in need.**
- **For the latter part of 2017 and beyond our initiatives include:**
 - **Forming a Shelter Industry Coalition to address Millennial and Affordable Housing**
 - **Coordinate volunteers to work at Homeless Shelter**

- Continue to refine Toy and Food Drives and also REALTOR® for Warmth Donations.
- In partnership with Heal the Heroes create services for local returning veterans.
- Multi-faceted, multi-discipline support for High Point Boys & Girls club through our Young Professionals Network
- First Responder Recognition and Service Event
- A sponsor of High Point's Multi-Cultural Fair
- Making a dent in affordable housing issue via:
 - Spearhead coalition to build/support Habitat housing in High Point and also Thomasville Habitat organizations.
 - Coordinate support for Housing Coalition's Affordable Housing Bus Tour.
 - Low Income and Affordable Housing Homeowner Responsibilities Training

In closing, let me thank you for your time and attention. I think we can all appreciate this wonderful economic news of our greatly improved real estate market and its financial impact and some of our quality of life priorities. A strong prediction is that employment and, in fact, America's labor force continues to grow, which will add to consumers' wallets and allow them to purchase their first house or upgrade to a newer, larger one.

We appreciate and support your sacrifice and leadership as you deal with the fast-paced change all around us. We pledge to do everything in our power to advocate for all cities within our REALTOR® Association market and to partner with each City as is applicable.



