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HOUSING NEWS REPORT

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THE NEW DATA-DRIVEN HOME SEARCH: 'PRE-DILIGENCE'

By Peter G. Miller, Contributor

The biggest consumer item on any shopping list is the place where we live. Homes are not only huge investments but they also reflect our preferences, finances, and status.

And yet while homes are crucially important they get less attention than other consumer goods. You can instantly get a Carfax report for virtually any vehicle, consumer reviews grade every refrigerator, and endless reports describe diner experiences in tens of thousands of restaurants.

But when it comes to homes, the situation is different: You can get such things as termite inspections, appraisals and home inspections but such traditional checks and reports lack context, they do not get to the information that buyers increasingly want in a changing world. After all, what's the value of a home with a great roof if the neighborhood has poor schools, pollution and a tendency to flood?

Government reports and academic studies are filled with information any home buyer can look up, but such data is often hard to find and difficult to understand. Clarity is not the hallmark of much research, and the practical, understandable and actionable information that buyers want is often hard to find if not impossible.

Hallmarks of Good Home Disclosure

The type of information we're talking about will help purchasers make better-

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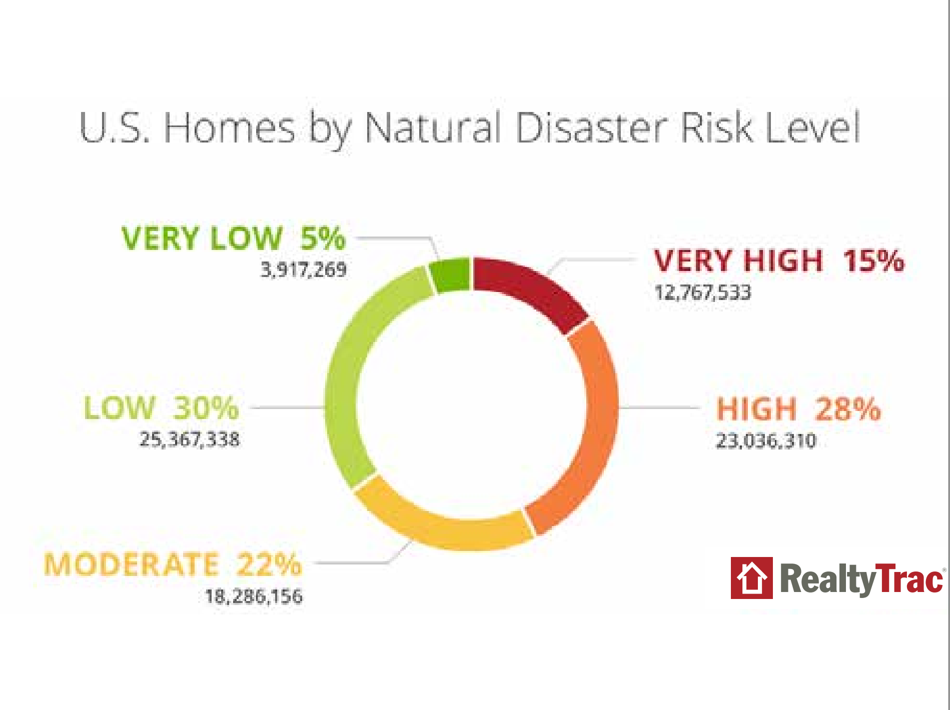

November 2015

Volume 9 • Issue 11

CONTENTS

informed decisions regarding where to buy, decisions which may allow them to save tens of thousands of dollars by finding homes with lower insurance costs, less exposure to natural disasters and a greater potential for appreciation. Moreover, such data offers important benefits that buyers, sellers and real estate brokers want:

First, the data has to be independent. Whether the information comes from an online source or through a seller or broker, the information must be the same. Like an appraisal or termite inspection, the information cannot vary according to who orders the report, it is simply the information for a given property.

Second, public information is not static, it evolves as new data becomes available. Instead of poring through complex government reports and unfamiliar websites, the information needs to be assembled in a way that's clear, concise and understandable.

Third, pre-diligence data should not require a degree in physics to read, it should be plainly written and presented.

Fourth, background data such as those offered by HomeFacts.com are not a substitute for an appraisal, home inspection or similar on-site examination. Instead, they look at the bigger picture, the picture which involves more than bricks and mortar.

Fifth, we want pre-diligence information to be organized in such a way that it provides an easy way to compare communities in different counties and states with objective measures.

New Tool For Brokers, Realtors, Consumers

But what about real estate brokers? Will they want buyers to have more property information?

You bet. Many brokers and sellers will soon automatically provide independent pre-diligence reports when a home is listed, at open houses and with MLS listings. It will be a way to add credibility from an independent third party to property presentations and marketing programs.

Savvy brokers will use pre-diligence reports because they understand the value it brings. The information is objective and beyond their control. It can provide a competitive advantage, especially when other brokers do not offer such reports. Most importantly, successful brokers know all about the famous clothing retailer, Sy Syms.

Syms said: "An educated consumer is our best customer." He meant that when consumers are empowered with independent information they're better able to make

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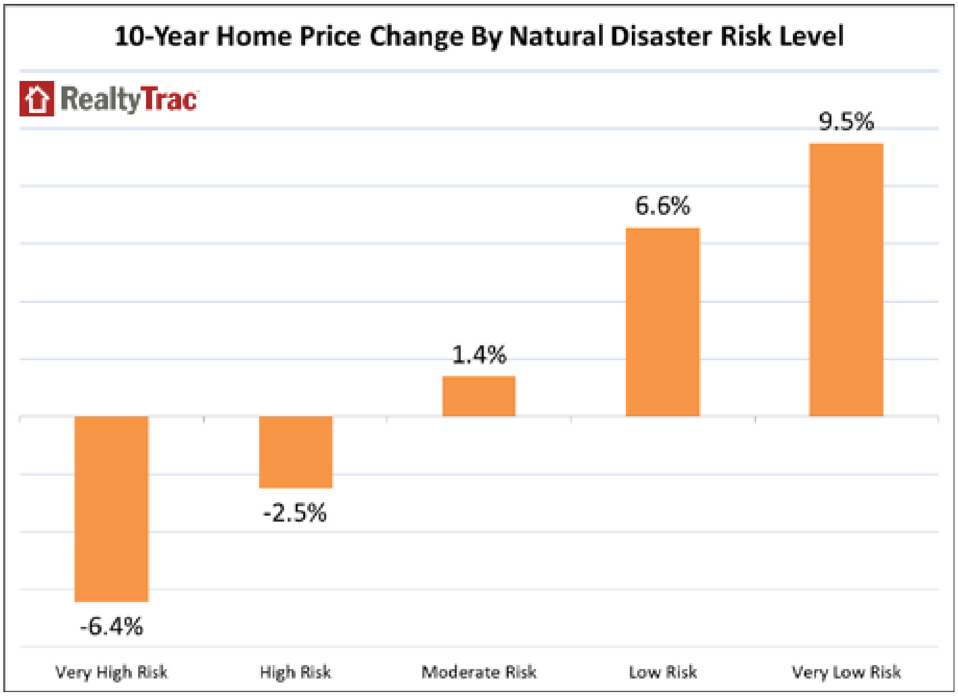

decisions in their best interests. If one clothing store freely gives out such information while others don't then where do consumers shop? Who are they most likely to trust? The same principle applies to real estate brokers and the homes they show.

Save Time, Energy and Money

There is truth to the idea that where you live can reflect what you earn. We know that different ZIP codes show different household incomes as well as different real estate values for similar homes. Newspapers and magazines have long published articles regarding how much a given dollar amount will buy in different cities.

If you look at typical incomes and home prices you can also get an idea of affordability — an idea with some interesting twists. For instance, one recent study found that school teachers could more readily buy a home in California than in Salt Lake City, even though real estate prices are much higher along the Pacific coast. Why? Not only are real estate prices higher in California, teacher incomes are much greater. When you compare income to housing costs California homes are actually more affordable for teachers because they can earn relatively more than in Utah.

The catch is that "affordability" is not necessarily associated with the high incomes. One has to compare income with such costs as healthcare, transportation, utilities, housing and groceries. It's entirely possible to have a location with high income and low affordability — think of San Francisco, a place where homes typically sell for nearly $1.2 million and just 14 percent are regarded as affordable.

Lifestyle Home Searches

"Affordability" issues really translate into "lifestyle" questions, not how much income you have but how you prefer to spend it. For instance, would you rather live in a place with 6,500 people per square mile or 2,500? How about a big city with 30,000 people per square mile?

Or, what about this: Would you pay a premium to live in an area with top-flight school districts? What if the premium in one state is a lot lower than in another?

Crime and Sex Offenders

Unfortunately, along with the good stuff every community has its share of problems. Crime is an issue of great concern and with reason: According to [RealtyTrac](), the latest FBI statistics "put the number of property crimes in 2013 above 8.6 million

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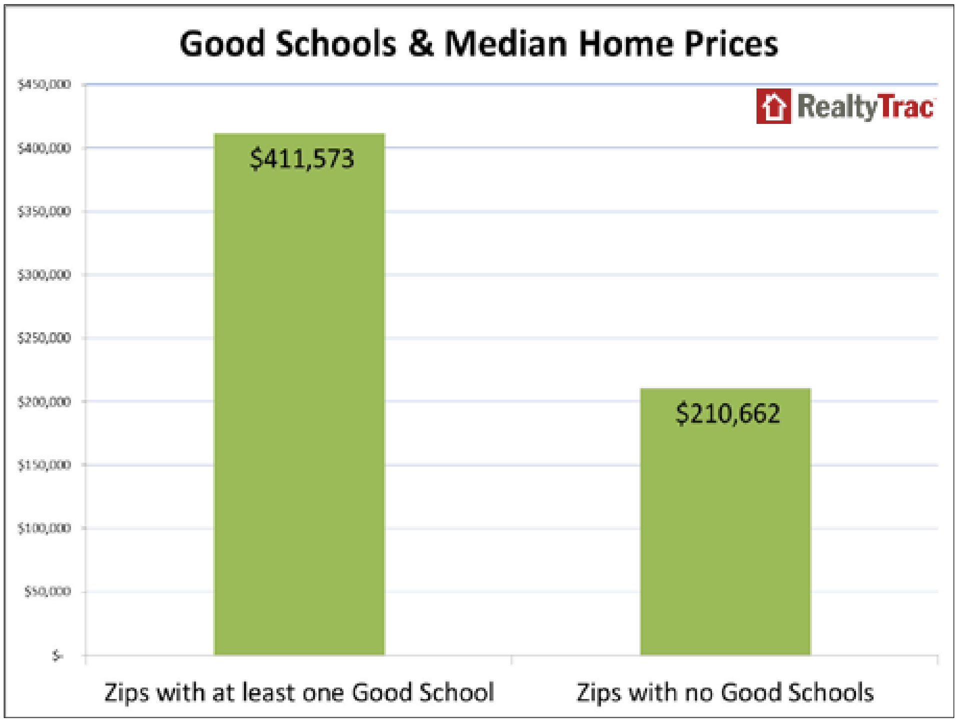

and the loss, not including arson, at around $16.6 billion."

'Hyper-local' Housing Data

While general crime statistics can have some value, the more important numbers concern specific crime activity in neighborhoods and communities — what is sometimes called "hyper-local" data. One way to look at this is to imagine a population of 100,000 people and to then calculate crime levels on a local, state and national level. In this way you can get a comparison by the type of crime, say robbery or car theft, and you can learn how many drug labs have been found within a mile of a given property.

Knowing More Than Home Values

It's often said in real estate that buyers seek the least expensive home in the most expensive neighborhood they can afford. If this equation is correct, then to make it work you have to know something about local home prices, more of that hyper-local data. For instance, how many homes in a given ZIP code are for sale, how many foreclosures are on the market, and how many rentals are available?

When looking at local real estate prices it's important to know more than the value of current comps; you also want to see ongoing trends. Are average listing prices up or down? What has happened to the median sale price during the past year?

The more you know about dollar trends the better your ability to understand the value of a given property. And knowledge, as is often said, is power, and in the case of real estate that power can translate into a better bargaining position.

Environmental Hazards

In 2015 a tropical depression in the Pacific off the coast of Mexico morphed into Hurricane Patricia within a few days, a storm that produced both 200 mph winds as well as flooding 1,300 miles away in Louisiana, Texas and Alabama.

According to the National Hurricane Center, Patricia was the "strongest eastern north Pacific hurricane on record," an expression with some meaning: What if we see more storms like Patricia?

In fact, we already have: In 2012, Superstorm Sandy — a modest Category 3 hurricane with winds of only 115 mph — struck the New York City area and produced damage worth more than $70 billion, after Hurricane Katrina the second-most costly storm in American history. In 2015, a "rex block" hovered over the Carolinas and shut down 75 miles of

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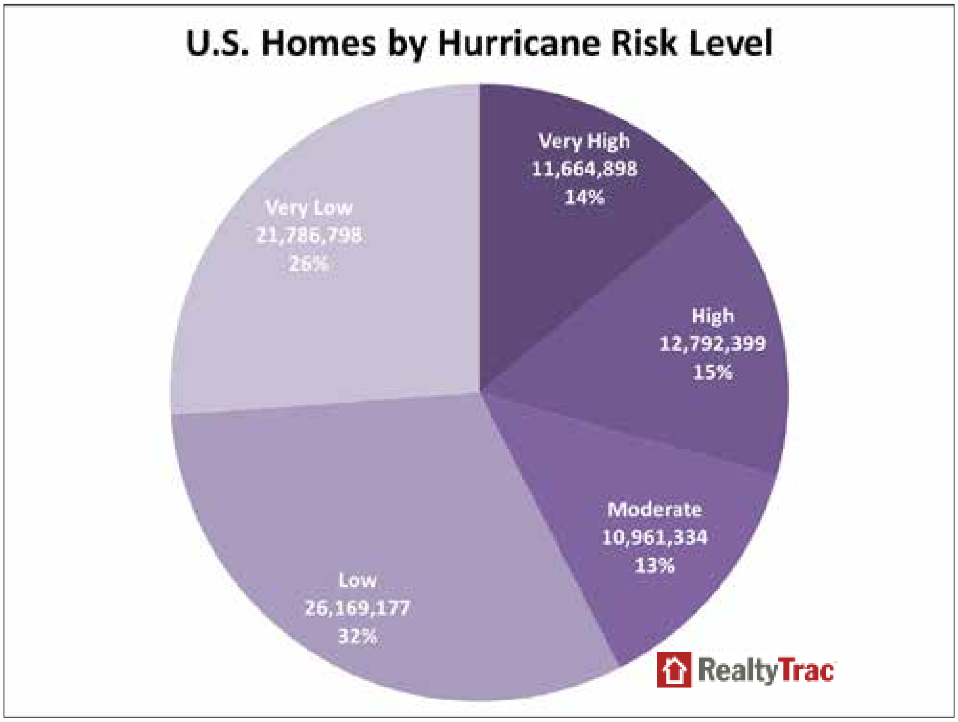


interstate highway, effectively cutting the East Coast in half for several days.

It's not just that we're having more wind and rain, in some places we're also having less. The western states which hold much of our population and grow much of our food are now in the midst of lengthy and destructive droughts, while according to some reports the Southeast and the Plains states could face a decades-long "mega-droughts."

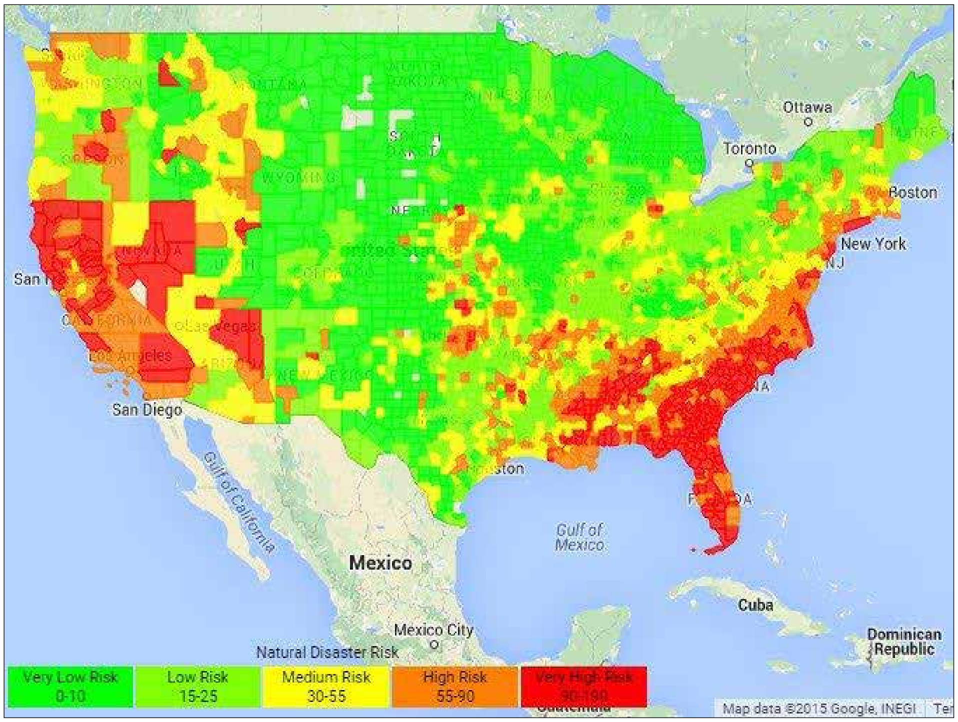
Environmental changes are real and the potential for damage to homes and property values can be measured. Data from RealtyTrac shows that 35.8 million homes and condos — 43 percent of all U.S. homes, properties worth $6.6 trillion — are located in counties with a high degree of exposure to natural disasters.

"In the interest of personal safety and protecting the value of what is likely their biggest financial asset, prospective buyers and investors should be aware of any natural disaster risk impacting a potential home purchase," said Daren Blomquist, vice president at RealtyTrac.

"In most cases learning about natural disaster risk will not stop a home sale, but it will help buyers make a better-informed decision about where to buy and also be prepared in terms of appropriate insurance coverage and family contingency plans depending on the type of natural disaster risks most affecting the home they end up purchasing," Blomquist added.

An easy example of the type of data that buyers might want to consider involves elevations: Just how much above sea level is that house? A higher elevation, even for a property near beaches or rivers, may well mean that flood insurance is simply not required by mortgage lenders, a huge annual savings.

Today's real estate buzzwords — "pre-diligence" and "hyper-local" — are really new terms for an old idea, the more you know about a property and a neighborhood the stronger your ability to negotiate a good deal. More websites like HomeFacts and others are making.com, important information and data immediately available, providing buyers with independent knowledge that can have value.



MY TAKE

To Disclose or Not to Disclose?

By Mike Sawtell
Executive Vice President/GM, RealtyTrac

The Dreaded Disclosure.

It's always been an emotional conversation within the industry. How much do I have to disclose about this home or this neighborhood? I want to do the right thing but I do not want to lose this deal. It's all human nature and it's been a judgment call in the most controversial areas. And most in the industry would rather not talk about it.

Until Now.

The Recent Homeowner/Agent Sex Offender Lawsuit

Recently, *Inman News* ran an article about a new homeowner who purchased a home and later found out that there was a registered sex offender who lived next door to the home that was purchased.

This information was allegedly not disclosed to the homeowner, although this information is widely available because of Meghan's Law. Interestingly enough, the agent was not required to disclose sex offender data to the consumer.

What's even more amazing is that in 23 states that agent would not have to disclose if the home being purchased was a former meth lab either, even fewer states if it was a rental, according to *Realty Times*. But that would be another article for another day.

The *Inman* article does provide guidance from NAR legal on what an agent should and disclose what they don't necessarily have to disclose when it comes to registered sex offenders. The article has suggestions for both buyer's and seller's agents and it's not all black and white. But do agents and brokers really want to enter this very slippery slope of required and maybe not required disclosures?

I think that many will want to err on the side of full disclosure if they think a lawsuit may be around the corner.

Who Exactly Requires Registered Sex Offender Disclosure?

Similar to meth lab disclosure, disclosure of registered sex offenders is regulated by each state. Per the *Inman* article, currently two states mandate no disclosure of registered sex offenders by the real estate professional, New Jersey and Delaware. In effect, that protects the privacy of the registered sex offender. The state of Montana requires sex offender disclosure by the agent.

The other 47 states do not have specific rules regarding registered offender disclosure. In the Inman article, NAR legal counsel suggests that buyer's agents should disclose offender information but seller's agents may not have to. This all seems like a lot to keep track of and be cautious about for the real estate professional.

Shouldn't We Do The Right Thing?

Let's think about this for a second. If you were going to buy a home and move your family into said home and your agent had easy access to all registered offender data in the neighborhood, wouldn't you want to be informed? Would you not be upset if that data was withheld from you? Could it not build a bond of trust between you and that agent and make you want to stay with them for life?

So are we saying here that we potentially endanger innocent children so that we may sell a home? This data may affect markets in the future and, if you think about it, once that data is more formalized, maybe it should.

HomeDisclosure by RealtyTrac

So where do homeowners and agents go to find out about registered offenders, drug labs and more? Who is supposed to let them know about all of this and who has all the data? Well the data is all over the Internet. It is definitely out there. The trick is to find one comprehensive, trusted source to provide both agents and consumers easy access to this data. Our team at RealtyTrac is focused on developing compelling consumer products that utilize our vast database of information. With our recent access to all public record data for the housing

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New RealtyTrac Home Disclosure Report available December 2015. Sign up now for an exclusive preview at www.homedisclosure.com

industry and RealtyTrac's acquisition of neighborhood portal HomeFacts in 2012, we are uniquely positioned to provide both consumers and the real estate industry this type of data and more.

The BETA Version Is Free

We will be launching the beta version HomeDisclosure by RealtyTrac in December 2015 and it will provide a world class user interface to instantly access all this data and more.

HomeDisclosure will provide over 40 categories of data including property details, existing loan info, comparable sales, etc. Neighborhood information, including nearby drug lab data, registered criminal offenders and more will be available. HomeDisclosure will let you know if the home you are purchasing was a former drug lab or if there are any homes nearby that were once a former drug lab. Fire incidents, building permits, transaction history and so much more will also be displayed.

HomeDisclosure was purpose-built for a mobile environment; all of this data will load perfectly into any mobile device. We will be looking forward to your feedback and hope that this product helps everyone, the consumer, the agent, the broker and ultimately the entire real estate industry.

As RealtyTrac's new executive vice president and general manager of consumer solutions, Mike will lead the company's growing business-to-consumer division. Mike will lead the company's growth by creating new consumer products. Mike has a rich and varied background in Internet technology and operations.He brings 15 years of senior executive experience in the online and digital media industry in both public and private companies. He has also founded and led a number of start-up companies, including The Family Post, a website that allows families to create their own web sites to share photos, blogs, videos and other content.

NEWS BRIEFS

Renter Nation: Big Landlords Merge

As the residential rental market continues to grow, two landlord giants are merging to cash in on the growing rental market. In the latest move, two big owners of single family rental properties — Starwood Waypoint Residential Trust and Colony American Homes — have agreed to merge next year.

Oakland, California-based Starwood Waypoint Residential Trust, a publicly traded real estate investment trust run by Barry Sternlicht, is set to merge with Colony American Homes, a Santa Monica, California-based company run by Thomas J. Barrack Jr.

The two companies own a combined total of more than 30,000 residential rental properties valued at nearly $8 billion. Barrack and Sternlicht were part of a rush by big investors who bought foreclosed homes in bulk at big discounts after the U.S. housing collapse.

Single family rentals now account for 13 percent of overall housing stock, up from 9 percent in 2005, according to a report by Moody's Analytics. Meanwhile, the U.S. homeownership rate is a 50-year low, falling from a 69.2 percent peak in 2005 to 63.4 percent today, reports the Commerce Department.

SOURCE: *The Wall Street Journal*

Sam Zell Sells 23,000 Apartments

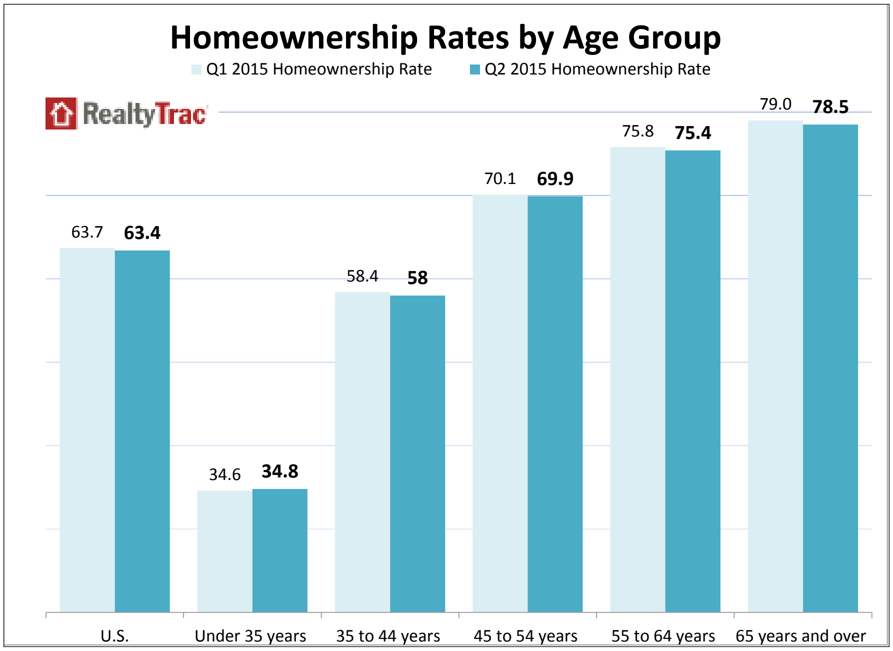
Chicago-based real estate billionaire Sam Zell is selling 23,000 apartments controlled by his real estate company, Equity Residential, for $5.4 billion to Starwood Capital Group.

The transaction represents about a quarter of the units in Equity Residential's portfolio of apartments. The deal involves 72 properties in five suburban markets, including South Florida, Denver, Seattle, Washington, D.C., and California's Inland Empire markets.

Zell is getting out of suburban markets and into downtown urban centers, where young people are moving and where it is more difficult to build.

In 2007, Zell was credited for calling the top of the real estate market, when he sold another of his companies, Equity Office Properties Trust, to Blackstone for $23 billion. By the end of 2008, the collapse of Lehman Brothers sent the commercial property market on a tailspin. Soon after that deal, the real estate market crashed, prices fell and defaults surged. The deal earned Zell the reputation of being unusually good at predicting market swings.

SOURCE: *Crain's Chicago Business*



SOURCE: U.S. Commerce Department

Fannie and Freddie Sued in Kentucky

The latest legal challenge by a Fannie Mae and Freddie Mac shareholder lays out a jaw-dropping series of alleged premediated actions by government officials to tap a potential revenue stream, and argues that the government's actions during the conservatorship were not merely inconsistent with the law but in direct opposition to the law.

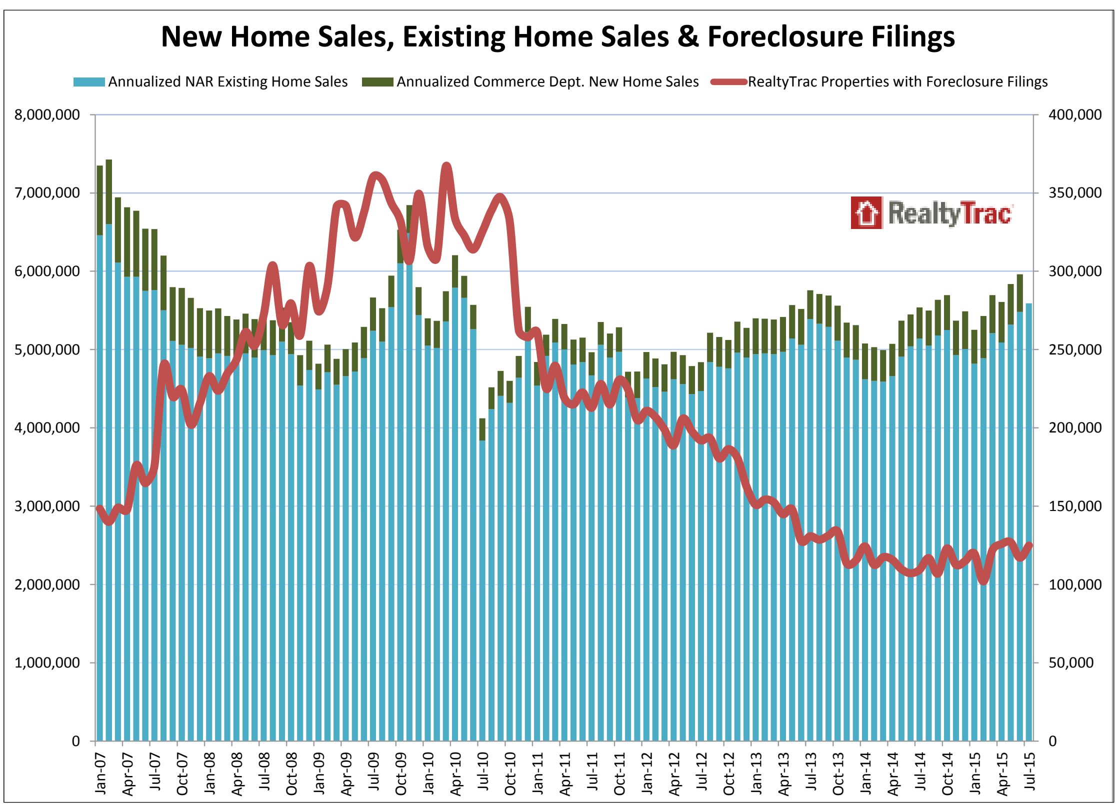
Arnetia Joyce Robinson, a retired bank manager, filed the 52-page complaint in a U.S. District Court in Kentucky on Oct. 23, 2015, asserting that the Federal Home Finance Agency (FHFA) and the U.S. Department of the Treasury have far exceeded the legal contours set forth in the Housing and Economic Recovery Act (HERA).

Like the plaintiffs in previous lawsuits against the government, Robinson is angry about the government changing the terms of the bailout agreement in August 2012 to sweep all of the GSE profits into Treasury for an indefinite period.

Robinson contends that despite posting record losses for 2007 and the first half of 2008, shortly before the government seized control of them, Fannie Mae and Freddie Mac were always capable of paying their debts and were never in danger of insolvency.

The case is *Arnetia Joyce Robinson vs. Federal Housing Finance Agency*.

SOURCE: DS News



SOURCES: RealtyTrac, National Association of Realtors, U.S. Commerce Department

FINANCIAL BRIEFS

Existing-Home Rise in September

After a modest decline in August, existing homes sales rose 4.7 percent in September to a seasonally adjusted rate of 5.55 million, reported the National Association of Realtors.

“September home sales bounced back solidly after slowing in August and are now at their second highest pace since February 2007,” said Lawrence Yun, NAR chief economist. “While current price growth around 6 percent is still roughly double the pace of wages, affordability has slightly improved since the spring and is helping to keep demand at a strong and sustained pace.”

The median existing home price jumped 6.1 percent year-over-year to $221,900, which is 6.1 percent above September 2014 at $209,100. September’s price increase marks the 43rd consecutive month of year–over–year gains.

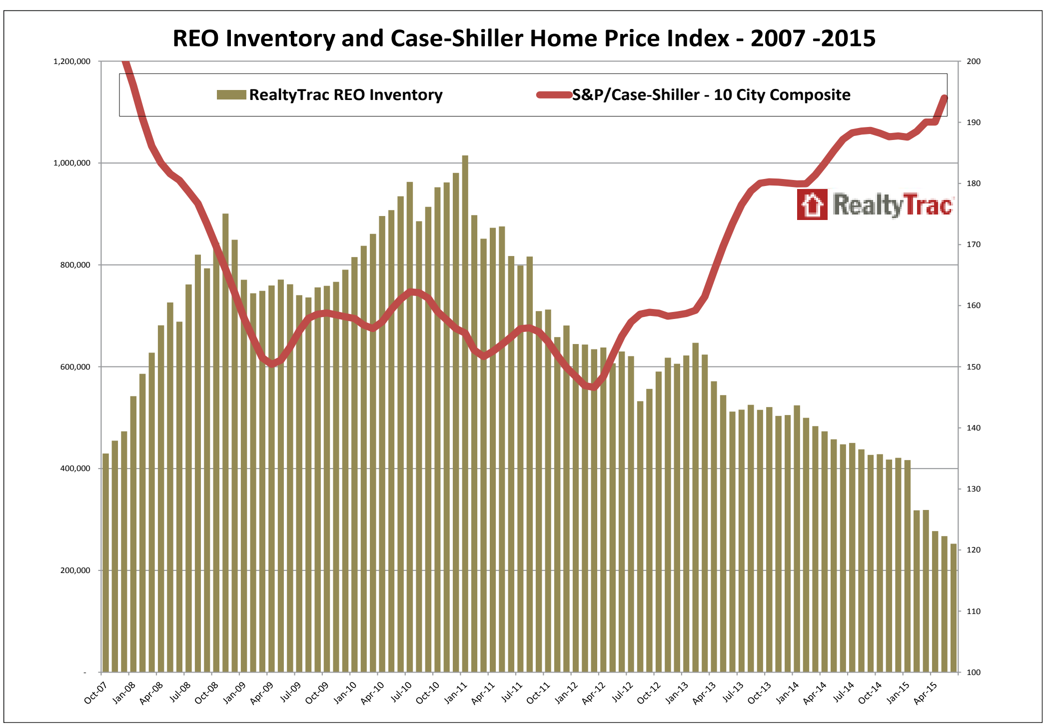
“Despite persistent inventory shortages, the housing market has made great strides this year, backed by an increasing share of pent–up sellers realizing the increased equity they’ve gained from rising home prices and using it towards trading up or moving into a smaller home,” said Yun.

Freddie Mac Loses $475 Million in Q3

Freddie Mac posted its first quarterly loss in four years, despite a healthy housing market, underscoring the challenges faced by the mortgage giant in its eighth year in government conservatorship.

The company reported a loss of $475 million for the third quarter. The report raises questions about Freddie’s long-term health.

The government took over Fannie and Freddie in 2008 and eventually infused them with $187.5 billion in bailout money. Since then, the companies have become highly profitable, paying out $239 billion in dividends to the U.S. Treasury.



SOURCES: RealtyTrac, S&P Case Shiller Home Price Index

STATE SPOTLIGHT

In Phoenix, From Boom to Bust to Recovery

By Octavio Nuiry, Managing Editor

During the early 2000s, the Phoenix housing market was one of the first boomtowns in America. Then, in 2006, Phoenix's real estate market went bust. Home prices fell by almost 60 percent and foreclosures surged.

Phoenix, however, was one of the first housing markets to snap back after the downturn, then rebound sharply, and stabilize to a normal real estate market, thanks largely to non-judicial foreclosure laws that quickly rifled bank-owned properties through the foreclosure process. And it has fared far better than other metropolitan areas hit hard by the housing crash, including Las Vegas, Miami and Detroit.

Now, real estate brokers, investors and housing analysts are cautiously optimistic that the Phoenix housing market has regained its footing and is on its way to recovery.

"The market is moving in the right direction," said Benjamin C. Toma, broker/owner of Century 21 Toma Partners in Phoenix, Arizona, a brokerage that specializes in Paradise Valley, Arcadia, Biltmore and the city's Central Corridor. "It's becoming more of a normal market. Listing prices are up. And days-on-the-market is down to around 56-days. It's a balanced market."

Toma noted that the foreclosures and short sales have largely receded and investors have pulled back.

"We don't have a lot of distressed properties," said Toma, referring to bank-owned foreclosures and short sales. "Nowadays, those are fairly rare. There is, however, a bit of a second wave of distress from home buyers who got a loan modification or changed the terms of their mortgage."

He said good weather, an improving job market, rising in-migration from other states and affordable prices were attracting lots of homebuyers.

Few places on earth are as suburban as Phoenix, Arizona. It is now the fifth largest city in America, part of a vast metropolis of 4.4 million people spread out across a scorched desert valley that includes Maricopa and Pinal counties — amounting to 1,000 square miles of land. More

Continued Next Page

than half of the all Arizonans live in Phoenix — the state's capital.

In his 16-year career as a Valley real estate agent, Leif Swanson, with [Realty One Group] in Phoenix, Arizona, has seen several booms and busts.

"Our marked has been transformed from boom to bust to recovery," said Swanson. "We're in a sellers' market now. We are historically low on inventory. For September, we had 21,006 active listings. We should have approximately 30,000 active listings. We have 3.3 months' supply; a normal market would have six months of supply. It's been that way for a year."

Existing Housing Prices Rise

In Phoenix, the state's largest city, the median home price was $211,000 in September 2015, up from $194,000 a year earlier, according to the Arizona Regional Multiple Listing Service. In September, 6,935 homes were sold, compared with 6,252 a year earlier. Housing prices are inching up across the Valley, but Phoenix is still one of the most affordable big cities in the country.

Benjamin C. Toma
Broker
Century 21
Scottsdale, Arizona

"The market is moving in the right direction. It's becoming more of a normal market."

"Prices are going up due to the lack of short sales and REO properties," said Swanson, citing Arizona Regional MLS data. "We wiped out our foreclosure properties before anyone else. Now they've gone away. At the height of the bust, 30.9 percent of all sales were short sales in December 2011. Now, in September, only 2.3 percent of all sales are short sales. In March 2009, 66.5 percent of all properties sold were bank-owned. In September, only 3.1 percent of for-sale properties were REO. We've come a long way from the bust."

Swanson credits real estate investors for stabilizing the market.

"If we didn't have the investors, we would have been in big trouble," said Swanson.

Continued Next Page

Metro Phoenix, Arizona

THREE FOR SALE

WHAT: 4-bedroom home
HOW MUCH: $279,500

This home is situated in a great community that is convenient to the whole valley. The house features 2,053 square feet, 4 bedrooms, 3 baths, walk in closet, premium tile floors and large garage. Agent: Benjamin C. Toma, Century 21, (602) 820-6539, http://www.tomapartners.com/

WHAT: 4-bedroom home
HOW MUCH: $529,250

This amazing 4 bedroom with 3.5 bath is a Toll Brother home with an office is located in the highly sought after gated community of Sonoran Foothill Ranch. Agent: Benjamin C. Toma, Century 21, (602) 820-6539, http://www.tomapartners.com/

WHAT: 5-bedroom home
HOW MUCH: $1,850,000

Live in Paradice Valley. This is an absolutely captivating showpiece spectacularly set on the grounds of Camelback Golf Club. This luxurious property is full of elegance, glamour, and the views allow for pure serenity. Agent: Benjamin C. Toma, Century 21, (602) 820-6539, http://www.tomapartners.com/

"They ate up all the short sales and bank-owned properties. They helped clear the market."

Other experts confirmed Swanson's observations.

Arizona Housing Recovery: Slow and Steady

Economist Elliott Pollack, CEO of the [Elliot D. Pollack & Company](), believes the Arizona housing market is getting incrementally better.

"Overall the construction picture is improving fairly rapidly," wrote Pollack in a [2015 third quarter report](). "The single family market, while way down from the previous peaks, is certainly making a significant recovery from the levels of earlier this decade. "We now expect about 15,500 single family units will be permitted in greater Phoenix this year. That's up from fewer than 11,000 units last year. For 2016, we expect nearly 19,300 units (a gain of about 25 percent) and nearly 22,900 units (a gain of another 19 percent) in 2017."

Leif Swanson
Realtor
Realty One Group
Phoenix, Arizona

> *"Our marked has been transformed from boom to bust to recovery. We're in a sellers' market. We are historically low on inventory."*

A Short History

In the early 2000s, Phoenix was one of the fastest-growing and hottest housing markets in the United States. Phoenix real estate prices began to skyrocket in the winter of 2004 and continued to climb for two years of incredible surges until September 2006. *[The New York Times]()* described Phoenix's housing market as "an epicenter of the nation's recent building boom," claiming that the Valley of the Sun was "a paradise on earth for home builders."

Developers were building 60,000 homes a year out in the middle of nowhere before they were needed.

The Crash: 2007-2012

But that changed drastically when the Phoenix housing bubble burst in the fall of 2006.

Sharp declines in housing prices continued in 2007, especially in the far-flung suburbs like Maricopa and West Valley, where the number of homes for sale increased, pushing values downward rapidly. By 2008, almost half of all Valley home sales involved foreclosures or short dales resold by lenders, mostly in exurban communities. In 2009, 70 percent or more of all home sales were bank-owned properties.

Overbuilding during the boom, a record number of foreclosures and slowdown in population growth created more than

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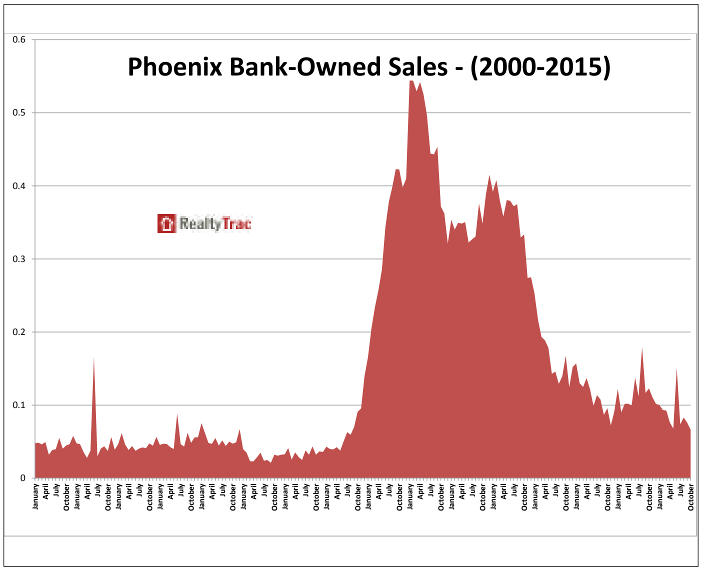
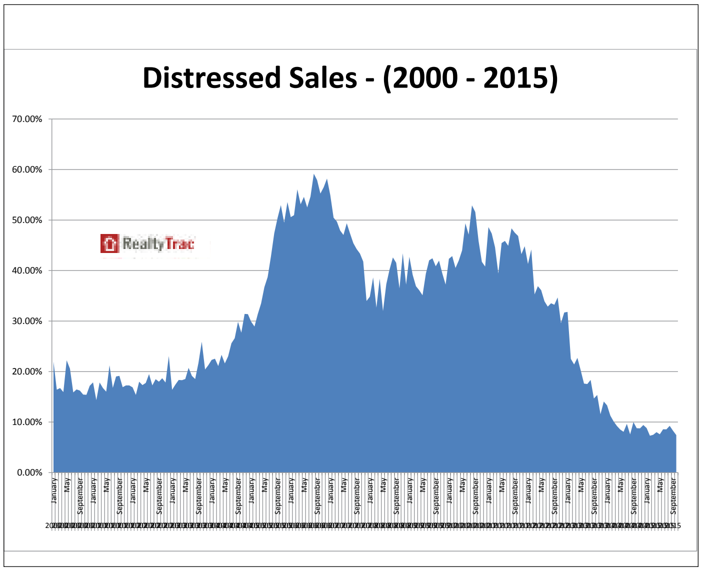


SOURCE: RealtyTrac



SOURCE: RealtyTrac

100,000 vacant homes in Valley neighborhoods by 2011.

Central Arizona's home builders — Centex, KB Homes, Pulte and Morrison — went silent. Some builders, like Fulton Homes, filed for Chapter 11 bankruptcy.

The rebound of home prices started in early 2012 and picked up momentum in 2013. Large-scale investors — many of them hedge funds like Blackstone and others — started snapping up much of the available housing stock in 2012. Suddenly, the tight supply of properties for sale was beginning to bring prices up in 2012. Throughout 2012, the number of foreclosures and short sales dropped, and with prices rising, the number of non-distressed sales rose as well.

By 2013, investors stepped away from the Phoenix market for the first time since the market crashed and traditional buyers moved in.

Diane Brennan
Realtor
Berkshire Hathaway
Scottsdale, Arizona

"Canadians are selling because of the dollar. They're selling in droves."

Phoenix, with its warm weather, lush green golf courses and myriad of retirement communities, has long been a destination for snowbirds trying to escape northern winters, but the area — and particularly Scottsdale, Biltmore and Tempe — are now attracting thousands of second-home buyers and investors seeking wealth, especially Canadians.

For several years, an influx of Canadian snowbirds has created a cottage industry in Phoenix for second-home buyers and investors, according to Diane Brennan, a Realtor with Berkshire Hathaway in Scottsdale, Arizona, who specializes in sales to Canadian buyers.

Canadian Snowbirds Retreat from Phoenix

But Brennan said strong currency swings recently are making the U.S. dollar a third

Continued Next Page

Metro Phoenix, Arizona

THREE FOR SALE

WHAT: 4-bedroom home
HOW MUCH: $260,000

Don't miss this great home in a great Gilbert neighborhood. Who doesn't love a 3-car garage. Over 2,000 square feet. This home is close to lots of shopping, dining and easy freeway access. Agent: Diane Brennan, Berkshire Hathaway, (602) 620-2277, www.thatrealestateshow.com.

WHAT: 5-bedroom home
HOW MUCH: $1,100,000

Live on top of the world. The words "majestic," "monumental," and "breathtaking" don't do justice to these unbelievable views. Built with lots of love and personality, it's a perfect mix of rustic and contemporary with great touches and upgrades. Agent: Diane Brennan, Berkshire Hathaway, (602) 620-2277, www.thatrealestateshow.com.

WHAT: 6-bedroom home
HOW MUCH: $1,595,000

Exceptional property in a wonderful gated community. From the wonderful mountain views & twinkling city lights, to the beautiful living space and extra touches inside, you'll love living in Scottsdale. Agent: Diane Brennan, Berkshire Hathaway, (602) 620-2277, www.thatrealestateshow.com.

higher than it was two years ago against the Canadian loonie. The Canadian dollar — the loonie — sank to an 11-year low against the U.S. dollar in August, a casualty of the turmoil in global stock markets and the continued rout in commodity prices, especially depressed oil prices. The loonie stood at 75.27 U.S. cents to the U.S. dollar.

“Canadians are selling because of the strong U.S. dollar,” said Brennan, a former news anchor at talk station KTAR and a producer at KAET-TV. “Canadians are selling in droves.”

In other words, $1,000 Canadian loonies gets you $735 American dollars. Brennan said depreciation in the Canadian dollar, the rise in home price and low oil prices are discouraging Canadian investment in Phoenix property. So Canadians are doing more selling than buying.

The former broadcaster turned real estate agent has an advantage; she grew up in Alberta and worked in Vancouver before moving to Arizona in 1996. Brennan said most Canadian buyers are from western Canada, especially Alberta and British Columbia.

“The Canadians who bought in 2010, 2011 and 2012 look smart today,” said Brennan, the host of “That Real Estate Show,” an hour-long real estate talk show on KTAR (92.3 FM) that airs every Sunday morning.

Currency Hedge

The pace of those home purchases will likely slow, thanks to a falling Canadian dollar that has seen the loonie sink to around 80 U.S. cents. For those who have already purchased in the United States, the combination of rising real estate prices and a U.S. dollar-denominated asset has proved to be a clever hedge indeed.

Some are less sanguine.

Water Worries

New York University professor Andrew Ross, author of “Bird on Fire: The World’s Least Sustainable City,” and a climate change evangelist, believes that the city of Phoenix faces “urban collapse” because decreasing rainfall and increasing temperatures in the Sonoran Desert. He paints a dismal future for Phoenix.

“With less than eight inches of rain a year, and the hottest summer temperatures of any city in the Northern Hemisphere, the 1,000-square-mile sprawl known as the Valley of the Sun

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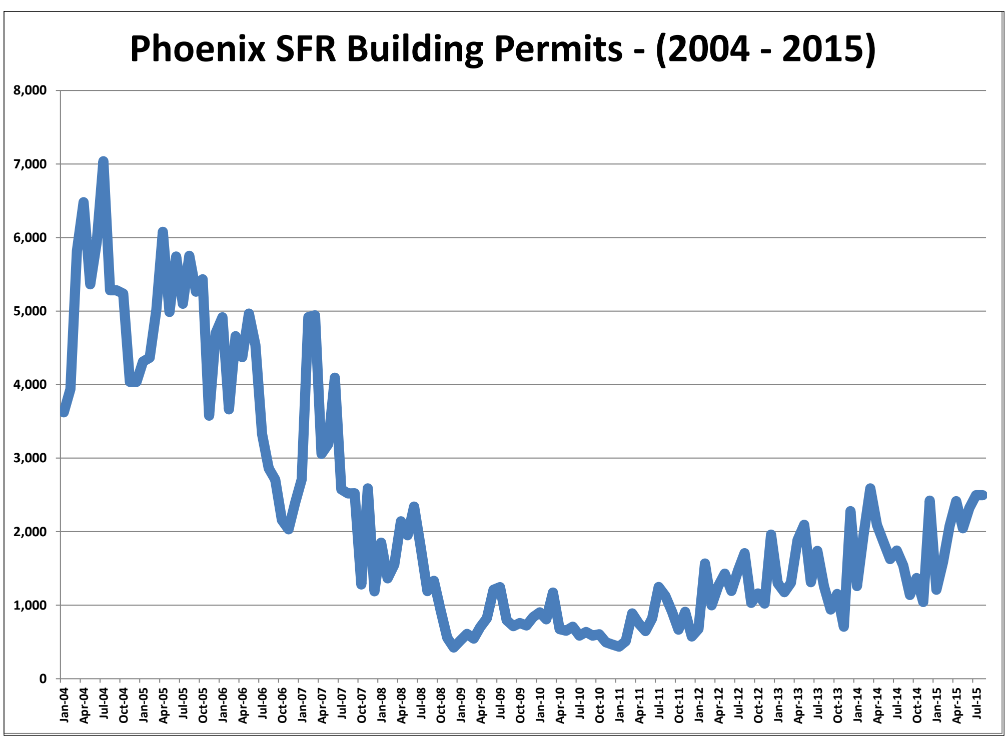


SOURCE: U.S. Census Bureau

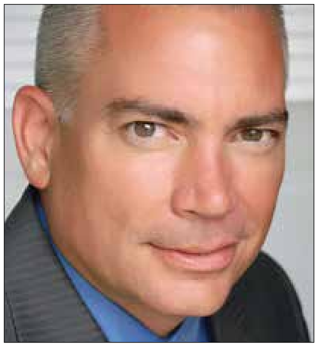
appeared to subsist in a state of denial about its inhospitable location," writes Ross, arguing that rampant housing development that dismisses the Sonoran Desert has been only one reason why the rapidly growing city faces a litany of looming dangers. "To many eyes, the fastest-growing U.S. city of the last half-century seemed more like a canary in the mine than a phoenix about to rise from the ashes of its latest speculator-induced crash."

Ross argues that it is not only suburban sprawl that makes Phoenix's outlook so dubious — it is also the political attitudes, commitment to un-relentless growth and hostility towards immigrants that weigh down the city.

Despite Ross' concerns, people continue to migrate to Phoenix.

Phoenix Draws New Residents

Phoenix's Maricopa County is among the top counties in the country seeing an influx of new residents, according to recently released data from the U.S. Census and the Internal Revenue Service. Maricopa County ranked fourth among the top 10 counties with the biggest population gains, adding 77,046 new tax returns filed between 2012 and 2013, behind Los Angeles County in California and Harris County, Texas.



Neil Brooks
Agent
HomeSmart
Scottsdale, Arizona

"All summer long, prices have been gradually increasing in the first-time home buyer sector."

Neil Brooks, an agent with HomeSmart in Scottsdale, Arizona, said he saw an increase first-time home buyer and younger couples in their 30s who are purchasing this summer.

"The summer, which is traditionally our slowest time of the year in Arizona, was super busy," said Brooks, a 14-year industry veteran. "The rise in rental rates has moved a lot of them into purchasing, because it's cheaper to have a mortgage than what the monthly rent is."

Continued Next Page

Metro Phoenix, Arizona

THREE FOR SALE

WHAT: 4-bedroom home
HOW MUCH: $140,000

Built in 2005, this home is located in a wonderful community of San Tan Heights. Located southeast of Phoenix, this home is located on a nice sized lot at the end of a cul-de-sac. Agent: Neil Brooks, Home Smart, (602) 574-1111, http://listmycasa.com/.

WHAT: 4-bedroom home
HOW MUCH: $512,000

Located in Westwing Mountain, a wonderful master-planned community with numerous hiking trails, a private community center and highly rated K-8 schools. With four bedrooms and 3.5 bathrooms, this 3,224 square-foot home has it all. Agent: Neil Brooks, Home Smart, (602) 574-1111, http://listmycasa.com/.

WHAT: 5-bedroom home
HOW MUCH: $799,000

This Cave Creek signature hacienda-style home has a private fenced pool and wrap around balcony that provided views that will take your breath away. This stunning hill-top retreat has five bedrooms and 4.5 bathrooms and 4,482 square-feet of living space. Agent: Neil Brooks ,Home Smart, (602) 574-1111, http://listmycasa.com/.

"All summer long, prices have been gradually increasing in the first-time home buyer sector," said Brooks. "However, within the past 30 days, we've felt a slowdown. Not sure if that's due to the new TRID guidelines — or the fact that home prices were getting to a point where they buyers are backing off. Will need a few more months to determine if this is a trend or not. Prices have been going up due to the lack of inventory, and multiple offers on homes."

Brooks has noticed fewer investors in the market because the lack of distressed properties.

"We're still seeing some investors, but not many," said Brooks who closed 79 transactions last year for $20 million in sales. "The issue is that there are not a lot of 'deals' out there. The foreclosure/short sale market is an extremely small segment of the over-all inventory, and they're selling at retail prices — not discounted. Investors can't purchase a property, then fix it up and make a profit like they used to. I haven't seen any investors for at least the past 18 months."

"My biggest concern is home prices rising too quickly," he said. "Home affordability for the 1st time home-buyer (who pushes up the rest of the buyers) is becoming harder and harder……Lots of first time home buyers have student debt, which keeps them from not only qualifying for a loan, but also having a down payment. I would like to see a gradual 5 percent to 8 percent increase in value. No double-digit increases."

New Home Building Up

To accommodate all those new residents Phoenix home builders are developing again.

This year, new home building in the Valley has steadily increased. New home building in the metro Phoenix jumped 9.7 percent in August. Developers pulled 2,495 permits in August, compared with 2,416 in July, according to U.S. Census data. Fulton Homes, Pulte Group, Meritage, DMB Associates and Tylor Morrison are the area's top builders.

During the early 2000 housing boom, Phoenix homebuilders overbuilt in the exurbs. In 2004, at the peak of the housing boom, local officials issued over 76,600 single family permits in the Valley, nearly twice the number issued in 2000. But in the first nine months this year, permits fell to just 13,249.

Phoenix had been one of the fastest-growing and hottest housing markets, but since 2006 overdevelopment and high prices have cooled the market considerably. Builders overestimated demand and constructed many more homes

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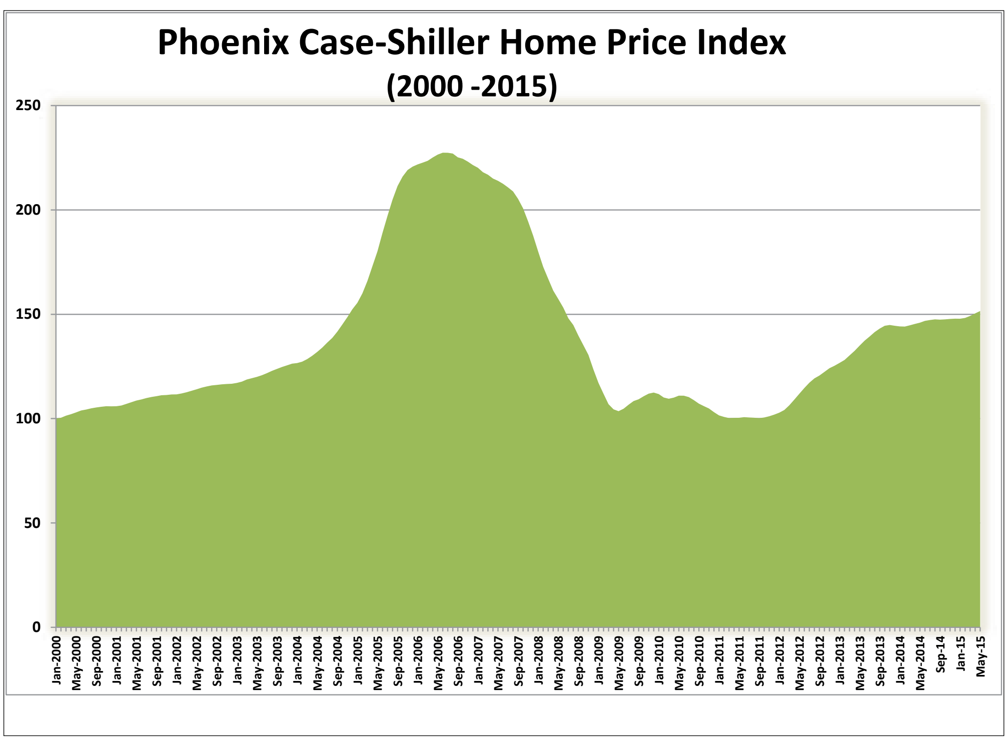


SOURCE: Standard & Poor's Case-Shiller 20-city Home Price Index than were people wanting to buy them. As new homes sales dropped after 2006, builders pulled back.

Moreover, in 2010, the Arizona legislature passed SB 1070, an anti-immigration law which requires police to determine the immigration status of someone arrested or detained. The law aims to identify, prosecute and deport illegal immigrants.

The law has hurt home builders because many in the new home construction business are Latin American immigrants.

"Builders can't get enough construction workers," said Swanson, the Realty One Group real estate agent. "And houses take longer to build."

Unemployment Rate

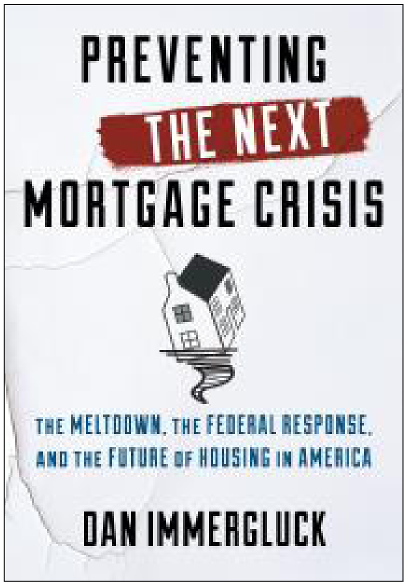
During the past few years, Arizona's unemployment rate hasn't recovered as quickly as expected, mainly due to construction job losses, which accounted for a quarter of all new jobs in the last six years. Arizona's unemployment rate has dropped from its peak of 10.3 percent in October 2009 to 6.3 percent in September, according to the Bureau of Labor Statistics, but that's still the nation's fifth worst after West Virginia (7.6 percent), Nevada (6.8 percent), New Mexico (6.7 percent), and Alaska (6.6 percent). In Phoenix, the unemployment rate was 5.9 percent in August.

"It's a good market," said Toma, the Century 21 broker. "It's recovered and normal. But there is some uncertainty about the long-range prospects. It's a function of global and national concerns."

BOOK REVIEW

How to Prevent the Next Mortgage Crisis

By Octavio Nuiry, Managing Editor



Preventing The Next Mortgage Crisis: The Meltdown, The Federal Response, and The Future of Housing in America

By Dan Immergluck

(Rowan & Littlefield, 187 pages, $27.95)

The U.S. mortgage crisis and the subsequent foreclosure and financial collapse of the 2000s, was a "transformative event that will reverberate for decades across families, neighborhoods, and cities," writes Dan Immergluck, author of the new book "Preventing the Next Mortgage Crisis: The Meltdown, the Federal Response, and the Future of Housing in America" (Rowan & Littlefield, 2015).

Immergluck, a Georgia Tech professor at the School of City and Regional Planning in Atlanta, Georgia, is the author of three previous books, including "Foreclosed," a 2009 book about high-risk subprime lending, deregulation and the subsequent foreclosure crisis.

The 187-page book is organized into five chapters and concludes with policy recommendations.

Chapter 1 covers the subprime mortgage crisis and the evolving housing finance industry and how deregulation destabilized the mortgage industry. Immergluck explains that the long-term deregulation of the mortgage industry led to reckless mortgage lending funded by private-label securitization.

Chapter 2 explores the cost of the foreclosure crisis and shows how the mortgage industry targeted borrowers in certain geographical and racial communities, concentrating their toxic subprime loans in low-income and minority neighborhoods. "Modest-income and minority neighborhoods suffered more than affluent communities, and recovery has lagged in these place," writes Immergluck.

Chapter 3 takes readers through the federal government's response to the foreclosure crisis, which Immergluck argues was "slow, timid and sometimes ineffective."

"Overall, the federal Home Affordable Modification Program (HAMP) never came close to its goal of reducing the mortgage payments of 3 to 4 million homeowners. The federal government's major refinancing program, the Home Affordable Refinance Program (HARP), was more successful in the long run, but it took a long time to reach its stride."

In Chapter 4, he reviews the regulatory response to the foreclosure and housing crisis. Immergluck argues for a strong federal role in housing finance, outlining the various achievements contained in the Dodd-Frank Act of 2010.

"The act was a major milestone in regulatory reform, containing many provisions that consumer advocates had called for in recent decades," he writes. "The act was not a complete victory for regulatory advocates, however, and left many aspects of regulatory reform unfinished. Moreover, foes of regulation will almost certainly continue to try to weaken Dodd-Frank in bits and pieces."

The GSEs: 'Full Privatization,' 'Partial Privatization' or 'Public Option'?

Immergluck jumps into the housing finance debate in chapter 5, tackling the thorny issue of restructuring Fannie Mae and Freddie Mac, which have been under government conservatorship since 2008. To reform the housing market and prevent the next crisis, he claims that the government-sponsored enterprises, or GSEs — Freddie Mac, Fannie Mae and the Federal Home Loan Banks — need to be reformed.

"Since GSE conservatorship began, policy makers, think tanks,

Continued Next Page

academics and industry associations have offered more than two dozen more detailed plans to restructure the mortgage market," writes Immergluck. "While there are many technical differences among these proposals, they can be broken down into two broad models."

The two main plans being discussed in Washington to restructure the GSEs, he writes, are "full privatization," where a lightly regulated system of private financial markets deliver mortgage credits or "partial privatization," where the infrastructure of securitization is owned and operated by the private sector and regulated to some degree by the federal government.

Dan Immergluck

Immergluck favors a third option — a public-option model. "In a public-option model, securitization markets would be more vertically integrated, similar to the way the private-sector GSEs operated before private-label securitization. "Contrary to the traditional GSE circuit, this entity would be a government-owned corporation with no private shareholders."

In the end, whatever structures replace Fannie and Freddie, they must be built to achieve job one — preventing the next mortgage crises, Immergluck argues.

Essentially, he is an interventionist, arguing for "a large, permanent federal role in housing finance in the United States."

"Some on the political right have proposed even greater levels of privatization, in which no federal insurance is involved and the markets are left almost entirely to private-label securitizers acting on their own," he writes. "The result of either partial or full privatization would include substantial risk-based pricing, so that less affluent borrowers with even minor credit blemishes would pay much higher mortgage costs, resulting in a system where the "poor pay more" for basic necessity like housing."

Unlike some observers who blame the federal government's housing policy for the foreclosure crisis, namely through the Community Reinvestment Act, Immergluck believes a lack of federal and state oversight contributed to the mortgage crisis.

"Contrary to some persistent myths, the subprime boom was not the result of government housing policy or too much government involvement in the mortgage market," he writes in the concluding chapter. "... a substantial body of research has now conclusively shown that neither the Community Reinvestment Act nor the Affordable Housing Goals applied to the GSEs were contributors to the subprime boom and ensuing crisis. Too little regulation was again the primary problem, with the GSEs' weak regulator failing to require them to maintain adequate capital and allowing them to buy high-risk loans in 2006 and 2007 in order to preserve their share of the overall mortgage market."

In the closing chapter, Immergluck illuminates a pathway to the future for building a more stable and fair housing finance system, outlining six federal policy prescriptions and five ideas for state and local government to consider.

"Preventing the Next Mortgage Crisis" will ruffle feathers on both the Left and the Right, but it offers insights that could

TOP 20

Foreclosure rates in the Nation's 20 largest metros in October 2015

Rank	Metro	Housing Units Per Foreclosure Filing (Rate)
1	Baltimore, MD	429
2	Miami, FL	480
3	Tampa, FL	543
4	Chicago, IL	545
5	Philadelphia, PA	598
6	Riverside, CA	708
7	Washington, DC	905
8	Seattle, WA	974
9	New York, NY	979
10	St. Louis, MO	998
11	Atlanta, GA	1,082
12	Detroit, MI	1,283
13	Los Angeles, CA	1,399
14	San Diego, CA	1,453
15	Phoenix, AZ	1,494
16	Minneapolis, MN	1,718
17	Dallas, TX	1,783
18	Boston, MA	1,983
19	San Francisco, CA	2,071
20	Houston, TX	2,143

OCTOBER 2015

STATE-BY-STATE FORECLOSURE ACTIVITY SUMMARY

State Rank	State	Default	Auction	REO	Total	1/every X HU (rate)	%Δ from Sept 2015	%Δ from Oct 2014
	U.S. Total	**31,854**	**46,698**	**36,582**	**115,134**	**1,147**	**5.50**	**-6.48**
22	Alabama	0	1,005	521	1,526	1,427	18.02	7.16
42	Alaska	18	46	35	99	3,098	-10.00	-54.59
26	Arizona	0	839	1,059	1,898	1,507	25.70	-13.57
33	Arkansas	0	421	252	673	1,963	38.48	-10.62
15	California	4,611	3,793	2,697	11,101	1,237	22.58	-25.96
39	Colorado	0	634	284	918	2,421	0.66	40.58
19	Connecticut	665	132	287	1,084	1,372	-3.73	-13.42
11	Delaware	155	106	93	354	1,152	-6.84	-34.44
	District of Columbia	2	30	6	38	7,851	15.15	-24.00
3	Florida	3,911	5,878	5,760	15,549	579	8.76	-23.16
16	Georgia	0	1,942	1,341	3,283	1,247	-26.37	-27.75
38	Hawaii	52	55	112	219	2,384	-19.19	-6.01
25	Idaho	192	184	69	445	1,506	24.65	-22.07
5	Illinois	2,130	3,029	2,624	7,783	680	21.46	4.61
17	Indiana	388	820	1,030	2,238	1,252	-22.56	-39.04
28	Iowa	340	265	226	831	1,614	27.26	-6.73
43	Kansas	99	191	80	370	3,339	-50.20	-24.34
32	Kentucky	240	504	254	998	1,934	43.60	6.62
34	Louisiana	261	346	320	927	2,130	-40.39	-44.06
31	Maine	186	131	58	375	1,925	13.29	31.58
1	Maryland	2,094	2,055	977	5,126	466	100.23	-13.75
27	Massachusetts	987	577	242	1,806	1,555	0.44	77.58
23	Michigan	0	1,741	1,417	3,158	1,434	-3.34	-11.47
36	Minnesota	0	563	496	1,059	2,223	0.19	-4.51
44	Mississippi	0	221	150	371	3,443	28.82	-2.37
30	Missouri	0	850	809	1,659	1,636	2.60	3.88
49	Montana	0	10	30	40	12,083	-14.89	-16.67
41	Nebraska	181	88	44	313	2,557	13.00	46.95
4	Nevada	759	648	578	1,985	593	-6.41	0.97
40	New Hampshire	0	166	83	249	2,471	-27.62	-12.32
2	New Jersey	3,325	2,274	1,960	7,559	471	-4.26	86.60
9	New Mexico	443	259	183	885	1,020	18.00	116.91
29	New York	2,644	1,129	1,230	5,003	1,622	-18.93	19.23
7	North Carolina	1,949	1,673	1,206	4,828	901	28.75	27.46
50	North Dakota	4	2	2	8	40,589	-46.67	0.00
8	Ohio	1,666	2,054	1,574	5,294	968	-10.16	-30.37
21	Oklahoma	591	291	303	1,185	1,409	20.55	75.56
14	Oregon	295	601	466	1,362	1,232	2.87	8.61
13	Pennsylvania	1,273	1,693	1,603	4,569	1,218	10.10	-7.51
37	Rhode Island	0	124	83	207	2,234	-12.66	42.76
6	South Carolina	1,259	682	912	2,853	751	19.67	8.81
48	South Dakota	0	23	14	37	9,884	-19.57	-37.29
12	Tennessee	0	1,359	1,089	2,448	1,153	30.77	34.36
35	Texas	13	2,842	1,776	4,631	2,175	-22.40	-2.83
18	Utah	236	289	229	754	1,311	12.20	-26.37
46	Vermont	0	7	39	46	7,020	4.55	70.37
24	Virginia	0	1,627	698	2,325	1,454	10.82	43.52
10	Washington	21	1,787	822	2,630	1,102	26.81	3.18
47	West Virginia	0	50	52	102	8,637	-7.27	-20.93
20	Wisconsin	864	613	390	1,867	1,407	9.44	-14.98
45	Wyoming	0	49	17	66	3,985	40.43	-15.38

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