

# How's the market? (Forecasting Your Real Estate Market)

## A Ninja Lesson with Larry Kendall

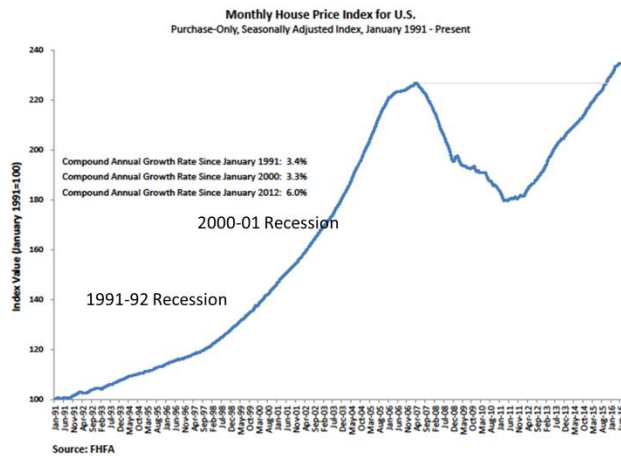
1. The most asked question in real estate: "How's the market?"

- Don't say: "I'm so busy!" or "There's no inventory!"
- Do say: "What have you \_\_\_\_\_?"
- Do say: "What \_\_\_\_\_ are you interested in?"
- Do say: "Have you heard of a \_\_\_\_\_?"

2. Bubble Trouble?

- Stocks and Real Estate

## U.S. Home Prices



3. The three Laws of Real Estate

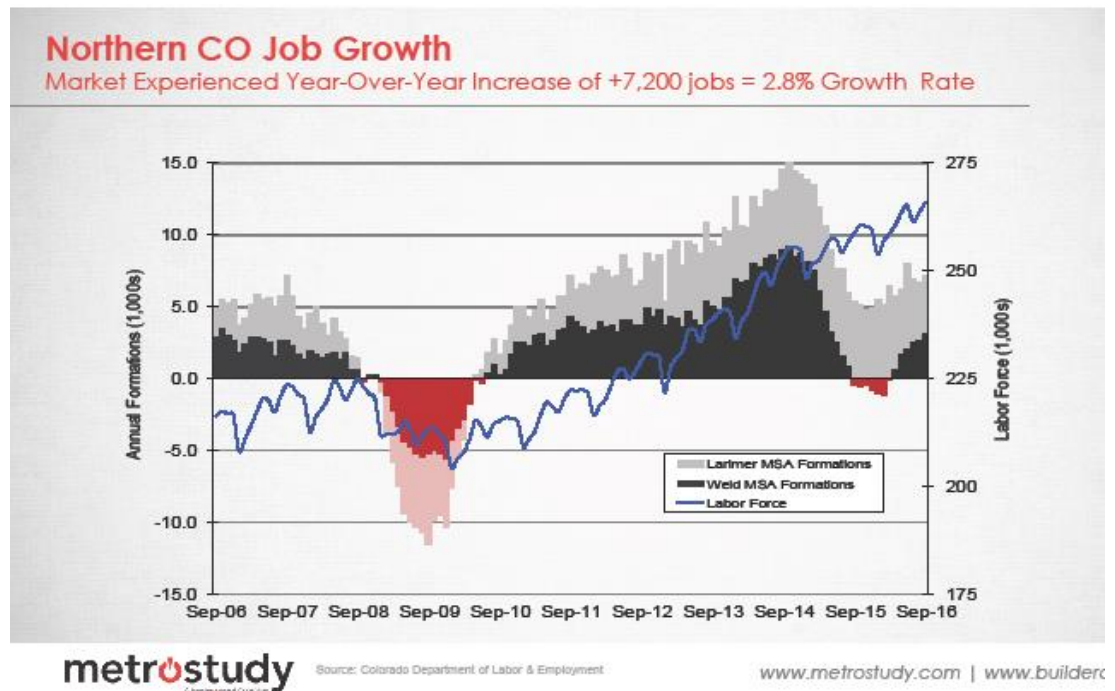
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

#### 4. Influence by Dr. Robert Cialdini

- Authority (Be the Source)
- Social Proof (Create Buzz)

#### 5. Housing MRI – Six Factors to Watch

- Employment – a leading indicator of real estate activity by 12 to 18 months.



- Supply and Demand – watch for:
  - Changes in months of inventory by location & price range
  - Rise in new home inventories
  - Apartment vacancy rates & apartment construction (most often to over supply)
- Appreciation rate and prices exceed replacement cost
  - Fhfa.gov – House Price Index
  - Take quarterly appreciation x 4. Is this less or more than annual appreciation?
  - Is this market slowing down or speeding up?

## House Price Appreciation by State Percent Change in House Prices

Seasonally Adjusted, Purchase-Only HPI

*Period ended June 30, 2017*

| State               | Rank* | 1-Yr         | Qtr          | 5-Yr          | Since 1991Q1   |
|---------------------|-------|--------------|--------------|---------------|----------------|
| Washington (WA)     | 1     | 12.40%       | 3.74%        | 56.65%        | 229.30%        |
| Colorado (CO)       | 2     | 10.41%       | 1.90%        | 60.05%        | 323.82%        |
| Idaho (ID)          | 3     | 10.30%       | 1.95%        | 45.76%        | 187.21%        |
| Florida (FL)        | 4     | 9.40%        | 1.80%        | 58.94%        | 182.52%        |
| Utah (UT)           | 5     | 9.25%        | 2.48%        | 45.46%        | 267.05%        |
| Oregon (OR)         | 6     | 8.61%        | 2.00%        | 58.72%        | 296.84%        |
| North Carolina (NC) | 7     | 8.49%        | 2.77%        | 31.44%        | 129.71%        |
| Arizona (AZ)        | 8     | 8.43%        | 2.66%        | 58.75%        | 191.93%        |
| California (CA)     | 9     | 8.33%        | 2.41%        | 64.47%        | 163.32%        |
| Texas (TX)          | 10    | 8.26%        | 2.37%        | 42.38%        | 173.62%        |
| Hawaii (HI)         | 11    | 8.21%        | 5.40%        | 35.90%        | 144.71%        |
| Michigan (MI)       | 12    | 8.02%        | 1.50%        | 43.62%        | 111.86%        |
| Rhode Island (RI)   | 13    | 7.88%        | 2.62%        | 25.50%        | 119.40%        |
| Nevada (NV)         | 14    | 7.79%        | 1.22%        | 84.57%        | 121.46%        |
| Georgia (GA)        | 15    | 7.71%        | 2.31%        | 46.44%        | 123.74%        |
| Tennessee (TN)      | 16    | 7.69%        | 1.62%        | 33.55%        | 143.42%        |
| Massachusetts (MA)  | 17    | 7.38%        | 1.96%        | 29.53%        | 171.51%        |
| Minnesota (MN)      | 18    | 7.17%        | 1.63%        | 33.97%        | 170.80%        |
| <b>USA</b>          |       | <b>6.64%</b> | <b>1.62%</b> | <b>34.24%</b> | <b>145.40%</b> |
| Kentucky (KY)       | 19    | 6.50%        | 1.25%        | 21.35%        | 126.80%        |
| Maine (ME)          | 20    | 6.46%        | 2.04%        | 19.57%        | 134.78%        |
| Ohio (OH)           | 21    | 6.39%        | 1.92%        | 25.42%        | 89.94%         |
| South Carolina (SC) | 22    | 6.29%        | 1.31%        | 29.19%        | 127.01%        |
| Wisconsin (WI)      | 23    | 6.18%        | 1.56%        | 23.83%        | 143.17%        |
| Missouri (MO)       | 24    | 6.08%        | 1.89%        | 24.68%        | 124.06%        |
| Montana (MT)        | 25    | 6.06%        | 3.42%        | 29.04%        | 273.78%        |
| Nebraska (NE)       | 26    | 6.05%        | 0.81%        | 25.72%        | 145.12%        |
| Indiana (IN)        | 27    | 5.60%        | 1.82%        | 23.04%        | 94.30%         |

\*Rankings based on annual percentage change.

## House Price Appreciation by State Percent Change in House Prices

Seasonally Adjusted, Purchase-Only HPI

*Period ended June 30, 2017*

| State                     | Rank* | 1-Yr   | Qtr    | 5-Yr   | Since 1991Q1 |
|---------------------------|-------|--------|--------|--------|--------------|
| New Hampshire (NH)        | 28    | 5.46%  | -0.56% | 24.45% | 135.17%      |
| South Dakota (SD)         | 29    | 5.32%  | 0.36%  | 25.50% | 178.65%      |
| Kansas (KS)               | 30    | 4.95%  | 1.39%  | 22.91% | 131.54%      |
| Iowa (IA)                 | 31    | 4.51%  | 1.00%  | 19.96% | 134.02%      |
| Virginia (VA)             | 32    | 4.46%  | 1.32%  | 19.48% | 148.43%      |
| New York (NY)             | 33    | 4.41%  | 0.71%  | 15.28% | 129.29%      |
| Pennsylvania (PA)         | 34    | 4.38%  | 0.94%  | 17.23% | 114.36%      |
| Alabama (AL)              | 35    | 4.33%  | 0.63%  | 17.76% | 109.68%      |
| Arkansas (AR)             | 36    | 4.21%  | 0.72%  | 14.07% | 108.56%      |
| Louisiana (LA)            | 37    | 4.09%  | 1.88%  | 21.51% | 174.08%      |
| Oklahoma (OK)             | 38    | 3.91%  | 0.98%  | 21.13% | 133.03%      |
| Illinois (IL)             | 39    | 3.85%  | -0.85% | 18.90% | 96.20%       |
| New Mexico (NM)           | 40    | 3.78%  | -0.03% | 13.10% | 131.51%      |
| Mississippi (MS)          | 41    | 3.66%  | 0.29%  | 14.43% | 98.22%       |
| Vermont (VT)              | 42    | 3.51%  | -1.46% | 9.94%  | 123.67%      |
| Maryland (MD)             | 43    | 3.16%  | -0.25% | 16.49% | 140.26%      |
| New Jersey (NJ)           | 44    | 2.98%  | 0.82%  | 13.22% | 129.97%      |
| District of Columbia (DC) | 45    | 2.31%  | -2.07% | 46.95% | 412.76%      |
| Connecticut (CT)          | 46    | 2.18%  | 0.70%  | 6.20%  | 70.03%       |
| North Dakota (ND)         | 47    | 2.08%  | 2.74%  | 28.43% | 213.46%      |
| Delaware (DE)             | 48    | 1.77%  | 1.53%  | 14.28% | 97.02%       |
| Wyoming (WY)              | 49    | 0.94%  | 0.26%  | 14.83% | 227.43%      |
| Alaska (AK)               | 50    | -0.33% | -1.05% | 11.92% | 150.54%      |
| West Virginia (WV)        | 51    | -1.22% | -0.77% | 11.44% | 109.40%      |

\*Rankings based on annual percentage change.

**20 Metropolitan Areas  
with Highest Rates of House Price Appreciation  
Percent Change in House Prices with MSA Rankings**

**All-transactions HPI** which includes purchase and refinance mortgages

*Period ended June 30, 2017*

| Metropolitan Statistical Area          | National Ranking* | 1-Yr   | Qtr   | 5-Yr   |
|--|-------------------|--------|-------|--------|
| Mount Vernon-Anacortes, WA             | 1                 | 15.14% | 6.29% | 41.62% |
| Seattle-Bellevue-Everett, WA (MSAD)    | 2                 | 14.04% | 5.82% | 67.32% |
| Deltona-Daytona Beach-Ormond Beach, FL | 3                 | 13.44% | 2.71% | 61.15% |
| Salem, OR                              | 4                 | 13.08% | 4.98% | 49.73% |
| Tacoma-Lakewood, WA (MSAD)             | 5                 | 12.76% | 4.76% | 50.21% |
| Port St. Lucie, FL                     | 6                 | 12.73% | 4.58% | 80.15% |
| Boise City, ID                         | 7                 | 12.54% | 5.42% | 65.69% |
| Orlando-Kissimmee-Sanford, FL          | 8                 | 12.47% | 3.69% | 62.06% |
| Bend-Redmond, OR                       | 9                 | 12.42% | 4.98% | 92.26% |
| Fort Collins, CO                       | 10                | 12.08% | 3.67% | 57.43% |
| Bellingham, WA                         | 11                | 12.05% | 4.83% | 36.14% |
| Yuba City, CA                          | 12                | 12.00% | 2.38% | 71.11% |
| Bremerton-Silverdale, WA               | 13                | 11.76% | 3.77% | 39.57% |
| Fort Worth-Arlington, TX (MSAD)        | 14                | 11.70% | 3.87% | 44.67% |
| Palm Bay-Melbourne-Titusville, FL      | 15                | 11.70% | 4.33% | 69.63% |
| Dallas-Plano-Irving, TX (MSAD)         | 16                | 11.60% | 4.71% | 55.88% |
| Denver-Aurora-Lakewood, CO             | 17                | 11.35% | 3.97% | 67.02% |
| Tampa-St. Petersburg-Clearwater, FL    | 18                | 11.32% | 4.22% | 61.08% |
| Boulder, CO                            | 19                | 10.84% | 3.40% | 61.16% |
| Portland-Vancouver-Hillsboro, OR-WA    | 20                | 10.84% | 3.31% | 64.72% |

Note: Purchase-only indexes, which omit appraisal values, are available for select metro areas at <https://www.fhfa.gov/DataTools/Downloads/Pages/House-Price-Index-Datasets.aspx#top>.

For composition of metropolitan statistical areas and divisions see FHFA HPI FAQ #7 or <https://obamawhitehouse.archives.gov/sites/default/files/omb/bulletins/2015/15-01.pdf>.

Source: FHFA

\*Rankings based on annual percentage change for all MSAs containing at least 15,000 transactions over the last 10 years.

**20 Metropolitan Areas  
with Lowest Rates of House Price Appreciation  
Percent Change in House Prices with MSA Rankings**

All-transactions HPI which includes purchase and refinance mortgages

*Period ended June 30, 2017*

| Metropolitan Statistical Area            | National Ranking* | 1-Yr   | Qtr    | 5-Yr   |
|--|-------------------|--------|--------|--------|
| Atlantic City-Hammonton, NJ              | 254               | -0.77% | 2.04%  | -2.53% |
| Montgomery, AL                           | 253               | -0.54% | -2.50% | 3.39%  |
| Anchorage, AK                            | 252               | 0.17%  | -0.84% | 13.71% |
| Peoria, IL                               | 251               | 0.29%  | 0.59%  | 5.32%  |
| Hagerstown-Martinsburg, MD-WV            | 250               | 0.63%  | 0.09%  | 12.60% |
| Las Cruces, NM                           | 249               | 0.84%  | 0.36%  | 2.88%  |
| New Haven-Milford, CT                    | 248               | 0.86%  | 0.63%  | 2.73%  |
| Harrisburg-Carlisle, PA                  | 247               | 0.91%  | -0.26% | 5.09%  |
| Springfield, IL                          | 246               | 1.14%  | -0.53% | 8.70%  |
| Hartford-West Hartford-East Hartford, CT | 245               | 1.27%  | 1.36%  | 3.11%  |
| Bloomington, IL                          | 244               | 1.42%  | 1.82%  | 5.99%  |
| Wilmington, DE-MD-NJ (MSAD)              | 243               | 1.43%  | 1.18%  | 10.06% |
| El Paso, TX                              | 242               | 1.45%  | 0.00%  | 5.98%  |
| Lynchburg, VA                            | 241               | 1.46%  | 0.71%  | 8.17%  |
| Bridgeport-Stamford-Norwalk, CT          | 240               | 1.47%  | 2.39%  | 6.21%  |
| Jefferson City, MO                       | 239               | 1.77%  | 0.24%  | 7.35%  |
| Jackson, MS                              | 238               | 1.84%  | -1.03% | 10.33% |
| Amarillo, TX                             | 237               | 1.89%  | 0.53%  | 15.84% |
| Camden, NJ (MSAD)                        | 236               | 1.92%  | 2.31%  | 8.48%  |
| Rochester, NY                            | 235               | 1.95%  | 1.53%  | 10.18% |

Note: Purchase-only indexes, which omit appraisal values, are available for select metro areas at <https://www.fhfa.gov/DataTools/Downloads/Pages/House-Price-Index-Datasets.aspx#top>.

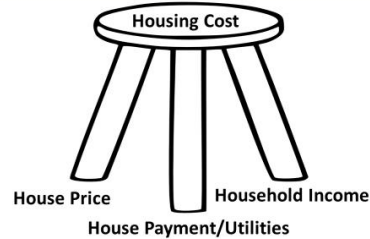
For composition of metropolitan statistical areas and divisions see FHFA HPI FAQ #7 or <https://obamawhitehouse.archives.gov/sites/default/files/omb/bulletins/2015/15-01.pdf>.

Source: FHFA

\*Rankings based on annual percentage change for all MSAs containing at least 15,000 transactions over the last 10 years.

- Affordability:

## Forecast #4: Affordability



NINJA SELLING

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### NATIONAL ASSOCIATION OF REALTORS® Housing Affordability Index

| Year | Median Priced Existing Single-Family Home | Mortgage Rate* | Monthly P & I Payment | Payment as a % of Income | Median Family Income | Qualifying Income** | Affordability Indexes |           |          |       |
|------|---|----------------|-----------------------|--------------------------|----------------------|---------------------|-----------------------|-----------|----------|-------|
|      |   |                |                       |                          |                      |                     | Composite             | Fixed     |          |       |
| 2014 | 208,900                                   | 4.31           | 828                   | 15.1                     | 65,910               | 39,744              | 165.8                 | 163.5     |          |       |
| 2015 | 223,900                                   | 4.03           | 858                   | 15.1                     | 68,260               | 41,184              | 165.7                 | 164.6     |          |       |
| 2016 | 235,500                                   | 3.88           | 886                   | 15.2                     | 70,068               | 42,528              | 164.8                 | 160.6     |          |       |
| 2016 | Jul                                       | 245,100        | 3.77                  | 910                      | 15.6                 | 70,166              | 43,680                | 160.6     | 159.8    |       |
| 2016 | Aug                                       | 241,900        | 3.74                  | 895                      | 15.3                 | 70,305              | 42,960                | 163.7     | 163.1    |       |
| 2016 | Sep                                       | 236,900        | 3.78                  | 881                      | 15.0                 | 70,448              | 42,288                | 166.6     | 166.4    |       |
| 2016 | Oct                                       | 235,600        | 3.76                  | 874                      | 14.8                 | 70,761              | 41,952                | 168.7     | 168.3    |       |
| 2016 | Nov                                       | 236,000        | 3.82                  | 882                      | 15.0                 | 70,766              | 42,336                | 167.2     | 166.8    |       |
| 2016 | Dec                                       | 234,600        | 4.15                  | 912                      | 15.4                 | 70,967              | 43,776                | 162.1     | 161.4    |       |
| 2017 | Jan                                       | 228,700        | 4.38                  | 914                      | 15.4                 | 71,053              | 43,872                | 162.0     | 161.2    |       |
| 2017 | Feb                                       | 229,800        | 4.43                  | 924                      | 15.6                 | 71,231              | 44,352                | 160.6     | 160.1    |       |
| 2017 | Mar                                       | 238,000        | 4.28                  | 940                      | 15.8                 | 71,319              | 45,120                | 158.1     | 157.9    |       |
| 2017 | Apr                                       | 246,300        | 4.11                  | 953                      | 16.0                 | 71,357              | 45,744                | 156.0     | 156.0    |       |
| 2017 | May                                       | 254,300        | 4.01                  | 972                      | 16.3                 | 71,513              | 46,656                | 153.3     | 153.3    |       |
| 2017 | Jun r                                     | 265,500        | 4.14                  | 1,031                    | 17.3                 | 71,716              | 49,488                | 144.9     | 144.9    |       |
| 2017 | Jul p                                     | 260,600        | 4.14                  | 1,012                    | 16.9                 | 71,722              | 48,576                | 147.6     | 147.6    |       |
|      |   |                |                       |                          |                      |                     | This Month            | Month Ago | Year Ago |       |
|      | Northeast                                 | 291,200        | 3.97                  | 1,108                    | 16.4                 | 81,203              | 53,184                | 152.7     | 150.5    | 160.5 |
|      | Midwest                                   | 206,900        | 4.23                  | 812                      | 13.6                 | 71,498              | 38,976                | 183.4     | 178.6    | 199.1 |
|      | South                                     | 232,900        | 4.20                  | 911                      | 16.9                 | 64,591              | 43,728                | 147.7     | 144.7    | 162.9 |
|      | West                                      | 377,300        | 4.10                  | 1,458                    | 23.3                 | 74,999              | 69,984                | 107.2     | 105.1    | 118.7 |

\*Effective rate on loans closed on existing homes - Federal Housing Finance Agency. Adjustable mortgage rates are not available since 2010.

\*\*Based on a 25% qualifying ratio for monthly housing expense to gross monthly income with a 20% down payment.

p Preliminary r Revised

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- Credible Research
  - Kiplinger Letter

# The Kiplinger Letter

FORECASTS FOR EXECUTIVES AND INVESTORS

1100 13th Street NW, Washington, DC 20005 • kiplinger.com • Vol. 84, No. 88

Dear Client:

Washington, Sept. 23, 2017

For house hunters facing slim pickings... There's no relief in sight. Listings are scarce and prices are bound to keep rising in most places.

**THE ISSUE** In fact, a tight market is going to get tighter as demand for homes continues to grow and supply fails to keep up. As a result, home sales will barely grow this year...up just 1.3% nationwide. Builders can't put up new units fast enough to make up for the slowdown the recession caused. Too many homeowners are reluctant to sell, afraid they won't find a new place to move to. Thus, inventory will keep shrinking relative to demand. The inevitable result: Continued price rises in most parts of the country. Figure on a gain of 5.5% in average home prices this year and 5% in 2018.

Home builders still face an array of hurdles that are keeping them from adding new homes faster: Not enough buildable land or enough skilled workers. Rising material costs. Trouble getting financing.

Recent hurricanes won't help the situation. In the Houston area alone, thousands of carpenters, roofers and other skilled tradesmen are needed to repair or replace the many homes damaged or ruined by Hurricane Harvey. Home builders were already competing for such workers, who have been gravitating to commercial construction projects, where the work lasts longer and the pay can be better than in residential construction. Lumber prices, up 12% so far this year, figure to shoot still higher on heavy demand.

Rising mortgage rates won't dampen price gains. Rates on 30-year mortgages will creep up from today's 3.8% average as the Federal Reserve slowly raises its rates and shrinks its huge portfolio of long-term Treasuries and mortgage-backed bonds. But any tick up in mortgage rates will just spur potential buyers to get off the fence and nab a loan while rates remain relatively low, pushing up home prices even more.

Even many of the hottest housing markets can expect prices to keep soaring: Seattle; Salt Lake City; Dallas; Portland, Ore. and other Western cities. Note, however, that a few areas where prices have skyrocketed, such as San Francisco, are slowing. They've simply gone up too much, too fast...beyond the reach of most buyers.

One wild card factor that might cool price gains: Tax reform. Home builders are wary that Congress could whittle down the deductions for mortgage interest or property taxes as part of a broader tax overhaul...a realistic possibility at some point.

Some housing markets do remain relatively affordable, and attractive for first-time buyers who find themselves priced out of other areas. Among them: San Antonio, Texas; Pittsburgh; Cleveland; Indianapolis; Oklahoma City; Memphis. Their relatively modest prices are sure to catch the eye of many aspiring homeowners.

| Housing Forecasts              |            |          |
|--------------------------------|------------|----------|
|                                | 2018 level | % change |
| Single-family starts           | 900,000    | 7.1%     |
| Multifamily starts             | 345,000    | -4.2%    |
| New-home sales                 | 670,000    | 9.8%     |
| Existing-home sales            | 5.6 mil.   | 1.5%     |
| Year-end 30-year mortgage rate | 4.3%       | --       |
| Year-end price change          | --         | 5.0%     |

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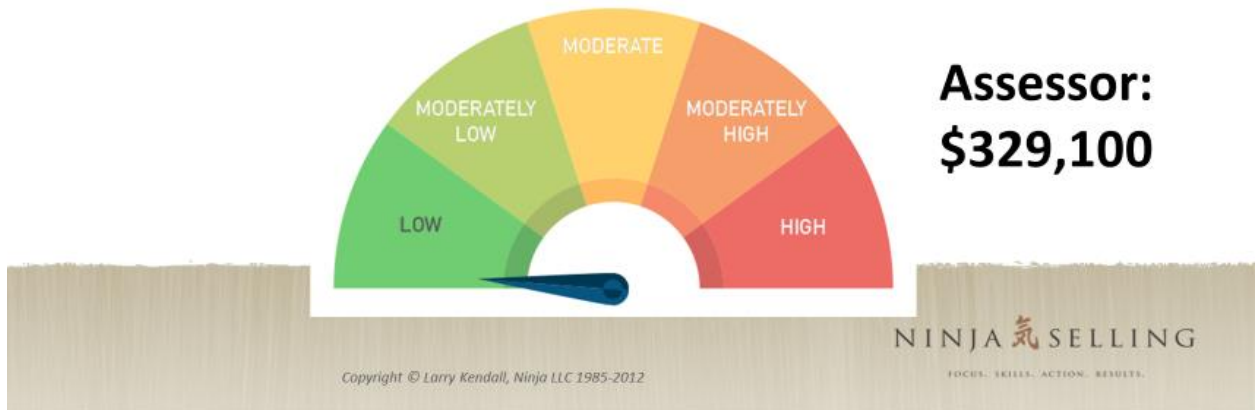


- Demographics & Psychographics
  - Baby boomers and Generation X
  - Fashion & Lifestyle
- Big Data – House Canary



## 2808 Autumn Harvest Way, FTC

The Risk Factor for 2808 Autumn Harvest Lane 80528 is 2%. This represents the Risk Factor for the Fort Collins, CO Metropolitan Statistical Area. HouseCanary's future value forecasts for this property are \$399,423 in one year, \$424,887 in two years and \$445,941 in three years.



### 6. "Black Swans"