

TRENDS

The Current & Future Direction of the Real Estate Profession



Student Playbook

Making Education Fun, Engaging & Useful

North Carolina Real Estate Commission

Continuing Education

Student Information Sheet

READ IMMEDIATELY UPON CHECKING IN

Basic CE Requirement (21 NCAC 58A.1702)

The CE requirement to maintain a license on active status is **eight (8) classroom hours per year** (each license period) consisting of the four (4) hour Real Estate Update course (mandatory for all licensees) and a four (4) hour elective. The content of the Update course changes each year.

Important Points to Note

- Newly licensed licensees do NOT need to take any CE prior to their **first license renewal**, but must satisfy the CE requirement prior to their **second license renewal**.
- A course may not be taken for CE credit twice in the same license period. Make sure you have not already taken this course during the current license period.
- If your license is **inactive**, you should check with the Commission to ascertain the amount of CE you need to activate your license.

Attendance Requirement

In order to receive CE credit for a course, students must attend the entire scheduled class session. Sponsors and instructors may, on an individual basis, excuse a student for good reason for up to 10% of the scheduled class session (20 minutes for a 4 hours class session); however, a student must attend a minimum of 90% of the scheduled class session in order to receive a course completion certificate and CE credit. No exceptions to the 90% attendance requirement are permitted for any reason.

Student Participation Requirement

To help assure that the mandatory continuing education program will be one of high quality, the Commission requires that students comply with the following student participation standards:

A student shall direct his active attention to the instruction being provided and refrain from engaging in activities unrelated to the instruction which are distracting to other students or the instructor, or which otherwise disrupt the orderly conduct of a class. **Examples of Prohibited Conduct:** Sleeping; reading a newspaper or book; performing office work; carrying on a conversation with another student; making or receiving a phone call on a cellular phone; receiving a page on a pager that makes a noise; loudly rattling or shifting papers; or repeatedly interrupting and/or challenging the instructor in a manner that disrupts the teaching of the course.

Sponsors and instructors are required to enforce the student participation standards. Sponsors have been directed to NOT issue a course completion certificate to a licensee who violates the standards and sponsors must report inappropriate behavior to the Commission.

Course Completion Reporting

Sponsors are responsible for reporting course completion information to the Commission via the Internet within **7 days of course completion**. Licensees are responsible for assuring that the real estate license number that they provide to the course sponsor is correct.

Licensees may address comments/complaints about courses, instructors, and/or sponsors to:

Continuing Education Officer
North Carolina Real Estate Commission
P.O. Box 17100
Raleigh, North Carolina 27619-7100

Certificates of Course Completion

Course sponsors will provide each licensee who satisfactorily completes an approved CE course a Certificate of Completion on a form prescribed by the Commission within 15 calendar days following a course. The certificate should be retained as the licensee's personal record of course completion. **It should not be submitted to the Commission unless the Commission specifically requests it.**

Check the Label of Your Newsletter

The number of continuing education credit hours credited by the Commission to your licensee record for the current license period as of a stated date will appear on the mailing label of each edition of the Commission's newsletter. You may also check your **current year's** CE credits online at the Commission's website: www.ncrec.state.nc.us. You will need to log in under Licensee Login using your license number and pin number. If you are unsure of your pin number, please follow the instructions on our website.

Please avoid calling the Commission office to verify the crediting of continuing education credit hours to your license record unless you believe that an error has been made. Please use our website to verify that your credit hours have been reported. Your cooperation in this regard will be especially needed during the May 15 - June30 period each year.

Why This Course Was Written

It is hard to conceive of anything more fluid than the profession of real estate. It is a profession filled with multiple twists and turns, ups and downs and is always in a state of change and fluctuation. Understanding those changes and keeping abreast of trends is critical to both the business and the professional development of every real estate licensee.

The world's first great teacher and philosopher, Socrates, once said:



So this course was written to assist licensees to meet their primary objective of protecting and promoting the interests of their clients by building the new. Keeping abreast of trends and changes in the real estate profession is more important than ever. This course groups those changes into 4 major categories:

- **Major Disruptive Trends**
- **Major North Carolina Trends**
- **Major Client Trends**
- **Major Technology Trends**
- **Previous Predictions vs What Actually Happened**

In order to give the course a very high degree of practical value and application to real estate licensees, each trend is accompanied by a discussion of its impact on serving clients in the real estate industry and helps agents begin to assemble and implement a plan for dealing with these current and

Student Notes

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Major Disruptive Trends That Can Leave You Behind



Major Trends in Real Estate Today

Things to Understand if You Don't Want to Get Left Behind

When planning and outlining your career or annual goals, the best thing that you can do is to put yourself in a position where you can take advantage of the opportunities that come about. Real estate is a fluid and ever-changing landscape. Trying to create a 1 year, 3 year and a 5 year plan for success can easily be daunted by market changes, shifts and trends. When you add to that concept the fact that real estate is subject to an expansive number of extraneous forces like job growth, interest rates, housing prices and other economic trends, trying to create a certain and predictable plan seems like a fool's game.

Therefore, as professionals the best that we can do is constantly understand and appreciate trends in the profession and position ourselves so that as the opportunities occur, we can leverage and take advantage of them. It becomes critical in order to properly serve clients and the industry to be aware of these trends and constantly adjust.

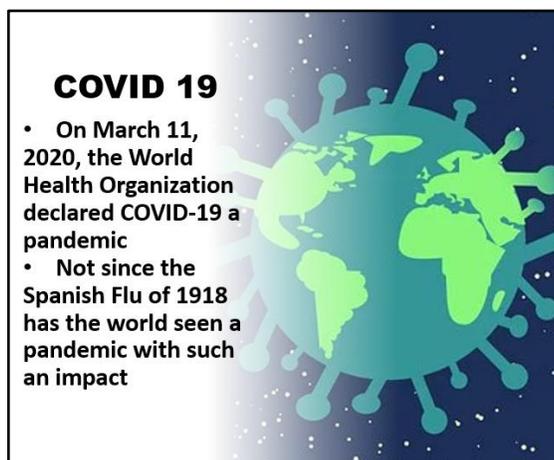
From a number of resources and countless hours we have done our best to provide you with identification of the current and emerging trends in the real estate profession and also offer practical and useful tips for how you can prepare for and leverage them in the months ahead. We believe that there are 4 keys to navigating the trends in real estate and life, to put you on the path to success:

The Keys to Real Estate Success



- Acknowledging the changing nature of real estate
- Awareness of existing trends
- Recognizing emerging trends
- Positioning to leverage opportunities

- **Acknowledge the changing nature of real estate**
- **Awareness of existing trends**
- **Recognize emerging trends**
- **Positioning to leverage opportunities**



Covid – 19

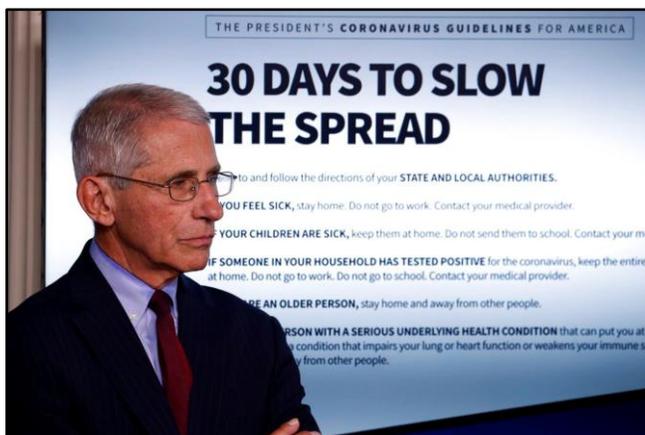
On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. Not since the Spanish Flu of 1918 has the world seen a pandemic with such an impact.

There is no question that the Covid 19 pandemic has impacted our society and the world more than any other event since World War II.

In 1918 the “Spanish flu” infected about 500 million people worldwide. An estimated 50 million died worldwide with about 675,000 deaths in the U.S.

According to the World Health Organization (WHO) as of January 2023, there have been over 650 million confirmed cases of COVID-19 globally. There have been 6.6 million deaths attributed to Covid-19 worldwide.

WHO reports that in the United States of America, from January 2020 to January 2023, there have been 100,304,472 confirmed cases of COVID-19 with 1,088,854 deaths, reported. As of 6 January 2023, a total of 657,138,482 vaccine doses have been administered.



The Corona Virus is not new. According to Frank Esper, MD, a pediatric infectious disease specialist at the Cleveland Clinic, the older human coronaviruses were first identified in the mid-1960s, but have likely circulated in humans for centuries. For the most part, these older versions present with a mild respiratory infection, except for HKU1, which can also cause gastrointestinal infection, he notes.

“What makes this a ‘novel’ strain of the virus is that it’s never been seen in humans before,” said Dr. David Wein, chief of emergency medicine at Tampa General Hospital. “When a virus jumps from a non-human mammal host to a human host, it can cause severe disease. We’re also noticing that the COVID-19 strain is a lot more infectious, or contagious, than other novel coronaviruses.”

The initial responses to try to contain Corona 19 included social distancing and hand washing, then travel bans from China and other countries, then closing of government schools and offices and then mandating closing private businesses and wearing masks in public. The initial thought was that maintaining such restrictions for a period of approximately 30 days would help slow the spread of the

virus and prevent the healthcare system from being overwhelmed. More than 2 years later, there is considerable debate on the effectiveness of many of these efforts. We make decisions based on the information available at the time. Only time will allow us to evaluate the responses to Covid 19 and learn from them what we did well, and what we can do better next time. And with history as our guide, we know there will certainly be a next time.

Not all the effects of Covid 19 were negative. While many business closed their doors forever, others emerged onto the stage to offer solutions to some of the new problems that Covid 19 presented. These companies recognized the emerging trends and were positioned to leverage their products or services. One of the “Poster Child” companies for these new opportunities is unquestionably Zoom!

Zoom has been one of the largest beneficiaries of the remote work boom of 2020 and 2021. With mind-boggling growth statistics like 300 million daily meeting participants and 3.5 trillion annual meeting minutes, Zoom became THE video conferencing giant in a little over 18 months

Founder of Zoom Video Communications Eric Yuan says, “Work is no longer a place, it’s a space where Zoom serves to empower your teams to connect and bring their best ideas to life.”

How did Covid 19 impact the real estate industry?

- Growth of Virtual Showings
- Opening up Virtual / Remote online real estate education options

The combinations of millions of business and workplaces closing and the expansion of online education for the real estate licensing process led to

- Increased Pre-Licensing Enrollments
- Record # of new real estate Brokers

According to the Association of Real Estate License Law Officials (ARELLO) There were more than 3 million people holding an active real estate license in the U.S. as of November, 2022 Of those agents, 1.6 million are Realtors® Florida had the most registered Realtors®, with 223,617 members. California ranked a close second with 215,4772 Realtors®. Many of those agents earned their license between 2019 and 2022.

The real estate market has always been cyclical. During “boom times” of strong real estate markets more people decide a career in real estate might be for them. Of course during “bust times” of down turning real estate markets those same people get out of the business. In fact National Association of Realtor statistics show that approximately 80% of people who get a real estate license will be in and out of the industry in 18-24 months.

Between 2007 and 2008, the collapse of the housing market saw the number of active Realtors® drop by more than 140,000 in a single year, and continue to fall through 2012 when membership dropped below 1 million.

These are just some of the impacts of Covid 19. What other impacts have you experienced as a result of Covid 19?

Discussion

- _____
- _____
- _____

Materials

The construction industry has seen major rises in prices over the last two years. There are multiple reasons

- tariffs on imported goods
- impact of COVID-19 on global supply chains
- Inflation due to an increased money supply resulting in the highest inflation in 40 years
- Labor costs rising as workers demand higher wages in response to the increased cost of living
- Lack of skilled laborers in the workforce
- Rising interest rates make it more expensive to finance construction projects.

But there may be some light at the end of the tunnel. The National Association of Home Builders (NAHB) reports that Material prices have fallen 2.3% since June 2022, the largest three-month drop since April 2020 Producer Price Index (PPI) report for “goods inputs to residential construction” (including energy), declined for the third consecutive month in September 2022.

But we’re not out of the woods yet. Softwood lumber prices are still 14.5% higher than they were in 2021. While prices have fallen 39.6% since March 2022, the index is still 41.9% above pre-pandemic levels.

The price of truck transportation also decreased 0.4% in September 2022, following a 1.9% decline in August, however fuel costs can be extremely volatile and local, national, and international events can rapidly affect fuel costs and availability.

Labor

Labor in the low-paying personal services segment was heavily disrupted by the pandemic. In accommodation and food services, employment fell by nearly 50 percent in 2020, and the workforce is still 1.5 million short of pre-pandemic levels. Some of these workers have better alternatives. Many have entered industries that grew during the pandemic, such as transportation and warehousing (up more than 500,000 jobs). Others have taken advantage of a hot labor market to take entry-level positions now offering much higher pay.

The issues in skilled trades (think nursing and manufacturing) are different. These sectors typically require credentials or licenses and were already facing tight labor markets. Labor supply is inelastic in the short run, and these sectors have been unable to keep up with pandemic driven levels of demand.

The super competitive job market (for EMPLOYERS) led to what has been termed “The Great Resignation”. According to the most recent Job Openings and Labor Turnover Survey (JOLTS) released by the Department of Labor, a record high of 4.5 million Americans quit their jobs in November 2021 alone. This number contributes to the 20 million people who resigned during the second half of 2021. Wages and quits in the skilled trades industries aren’t as elevated as they were in low-paying services, but they too have escalated against historic norms. As a result, wages in manufacturing grew 4.1 percent year-over-year in the fourth quarter of 2021 in an effort to retain current employees.

Inflation

All these factors and others have contributed to shortages of consumer goods, and skyrocketing prices for those items that ARE still available on store shelves. In 2021, inflation hit a 40-year high, with goods and services growing 7.1 percent over the year. The inflation crisis grew even worse as 2022 began and only showed very faint signs of slowing by the end of 2022.

What is inflation?

Inflation is defined as a rise in prices across an economy, and in 2022 it emerged as one of the biggest threats to global prosperity. When prices rise unexpectedly, money doesn’t go as far as it used to, which can trigger demands for raises which then cause more inflation... a vicious cycle

What causes inflation?

Former Fed chair Ben Bernanke says, Inflation occurs when demand for goods rises more quickly than the supply of goods available at then current prices.

3 Root causes of inflation

#1 - Supply Shocks

Inflation often happens because of supply shocks — major disruptions to an important economic input, like energy. For example, if a lot of oil fields stop producing oil because of a war, the price of energy increases.

#2 - Money Supply

An increase in the money supply will tend to cause inflation. With more cash in their pockets, consumers often find new reasons to buy things.

#3 - Expectations and Spirals

How much inflation people expect affects how much inflation they actually get. If people expect higher inflation, they'll bargain for higher wages. If businesses expect this wage inflation, they'll raise prices. This can cause what's called a "wage-price spiral" that drives further inflation.

How do you stop inflation and the "wage-price spiral"? Unfortunately, one of the sure fire ways to reduce the rate of inflation is to stop people from spending as much money. If the interest on borrowed money goes up high enough, consumers will slow their spending on things like cars and houses and new refrigerators. And so, that's why we've seen record rate hikes by the Federal Reserve which, while not directly linked to consumer interest rates, eventually translates into higher costs for institutional lenders like banks and mortgage lenders, who in turn raise consumer rates. Likewise, if they don't have as much money to spend, consumers will tighten their belts. Job losses and a higher unemployment rate will cause the people who lose their jobs to spend less because they HAVE less. And higher unemployment will cause the people with jobs to spend less and save more because they MIGHT be next to lose their job.

PUDs And The Gig Economy

What are PUDs and are they good or bad?

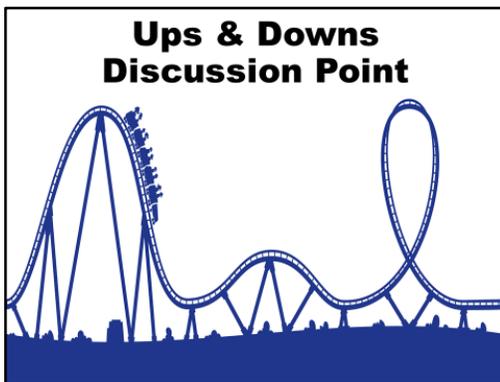
A Planned Unit Development (PUD) is an agreement for developing a large parcel of land to include planned units of; commercial, residential, industrial, and natural structures.

A PUD is essentially "a city within a city". It includes **Housing**. Different housing types intermingled, single-family, two-family, and multifamily etc. Typically, small private yards, but large shared spaces. Often, residences are townhouses or condos. The **Streets** of PUDs don't focus on typical street grids, rather PUD streets respond to local usage, supporting low traffic flow and connecting to larger traffic arterials near the PUD. **Sidewalks and Walkways** supplement a PUD's street system promoting walkable communities. The design links schools, shopping areas, and open spaces to residential areas all within walking distance.

PUDs can represent Investment Opportunities in properties that provide desirable rental options for both residential AND commercial spaces to workers within the Gig Economy. They provide ample space and socialize, and PUDs can foster a tight-knit community that is appealing to young professional, families or retirees.

The PUD LIFESTYLE allows for remote work while enjoying the perks of a PUD such as Safety- many PUDs provide 24-hour security. Convenience- convenient to amenities. Nothing is ever too far away, and maintenance done by the HOA. Brokers need to remember that they are selling a lifestyle with a PUD and typically not just a product. According to Urban Land Institute “PUD’s – will constitute 80% of the coming households and will attract the most households in the next 10 years”.

Are the implications of more PUDs GOOD or BAD?

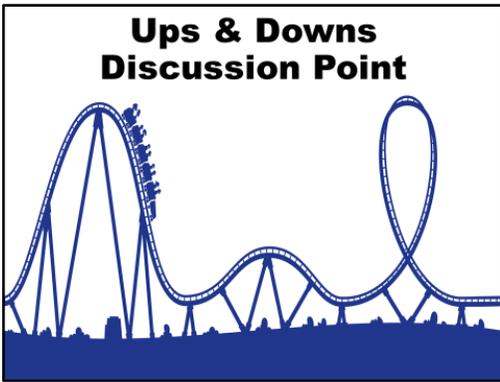


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The PUD lifestyle lends itself well to members of The Gig Economy. What is the Gig Economy?

GIG Economy is a labor market characterized by the prevalence of short-term contracts or freelance work as opposed to traditional permanent jobs. And this is not just limited to musicians and artists. Many doctors, nurses, engineers, IT consultants, and other professional positions have found a home in the Gig Economy and these workers may look at their actual homes a bit differently than generations past.

Some of these professionals are buying their second home first. They’re willing to rent for the short term of their employment. They want all the perks/amenities but not the ownership. They are wanting the lifestyle of a PUD. Examples of attractive amenities include things like: pet parks, recreation, dining, lower crime, better schools, community areas, shopping, medical, office and close proximity to it all. The result really is, “a city within a city”.



What other Disruptive Trends have you experienced?

- _____
- _____
- _____



1. Go to Planning & Zoning meetings
2. Share websites for stats on community, recreation, crime, etc.
3. Develop relationships with Builders
4. _____

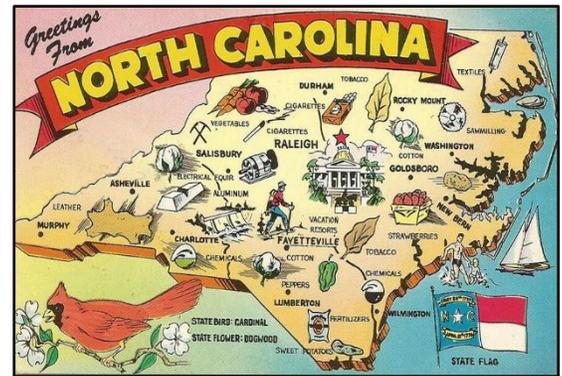
Student Notes



North Carolina Real Estate Trends

If you are a practitioner of real estate you should be incredibly thankful that you get to call North Carolina home. North Carolina has had the country's fastest growing economy since 2013.

There are a lot of exciting things going on in the area we call home. Before we get into the specific trends and changes affecting North Carolina we should know a little bit more about the state in which we reside. Here are some fun and interesting statistics about our state:



- The University of North Carolina Chapel Hill is the oldest state university in the United States. It opened its doors in 1795.
- Babe Ruth hit his first home run in Fayetteville on March 7th, 1914.
- NC has the largest system of state maintained roads in the United States.
- At 6,684 feet Mt Mitchell is the highest peak east of the Mississippi.
- "Cherry Point" in Havelock is the largest air base in the U.S. Marine Corp.
- North Carolina was the first colony to declare independence from Great Britain with the Mecklenburg Declaration of 1775, a date preserved on our state flag.
- NC leads the nation in furniture, tobacco, brick and textile production.
- North Carolina is named after King Charles I of England. (Carolus' is Latin for Charles).
- The Biltmore Estate in Asheville is the largest private house in the United States at 250 rooms.
- Pepsi Cola was invented in North Carolina in 1898 in New Bern, North Carolina by a local drug store clerk, Caleb Bradham, and was originally called "Brad's Drink."
- The first English settlement in the New World was in North Carolina on Roanoke Island.
- The nickname "Tar Heel" state attached during the Civil War as tar, pitch and turpentine were principal products produced by North Carolina.
- In 1903 the Wright brothers launched the first successful powered flight from Kitty Hawk.
- The NC coast was a favorite location of the pirate Blackbeard who was captured off Ocracoke Island in 1718.
- The state song "Old North State" is so named because when Carolina was divided in 1710 the new southern portion was renamed South Carolina and the older portion became North Carolina.

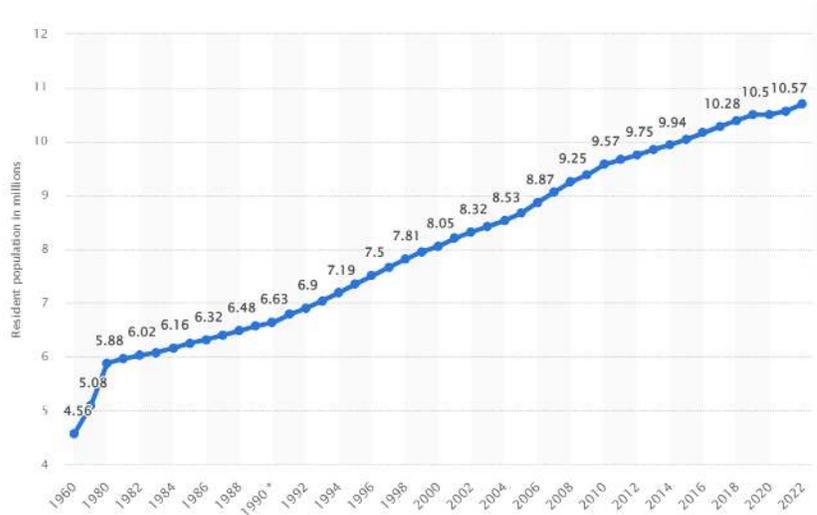


Inbound Migration

46 million people in U.S. moved to a new zip code between Feb 2021 and Feb 2022, the most of any 12-month period since 2010.

In 2016 the total population of North Carolina crossed over the magical line of 10 million people. NC is the 9th state to pass the 10 million people mark. Since the 2010 Census, North Carolina’s population has grown by over half a million new residents. These incredible population increases have been fueled by migration. In 2022 NC’s population was 10.57 million and rising. The 3 fastest growing states in 2022 the US in order of growth were;

- #1 Texas
- #2 Florida
- #3 North Carolina



NC is now the 9th largest state in the U.S. by population. NC added 112,000 people in the first 15 months of the pandemic. Economic growth in NC is a major driving force. Since 2021 Wake Co. has gained over 6,700 jobs. Wake Co has announced \$3.9 Billion in capital investments.

What's Behind the Trend?

As to the reasons behind the trend, North Carolina is currently on the top 10 hit parade of nearly everything at the moment. All kinds of lists get created and published. Within the last several years North Carolina has appeared on all of the following lists:

- Top 10 best states in which to live
- Top 10 best states in which to raise a family
- Top 10 best states in which to retire
- Top 10 best states for higher academic education
- Top 10 best states for job growth
- Top 10 best states for tourists and vacations
- Top 10 best states for economic growth



What concepts, ideas or tips should you develop in order to position yourself to take advantage of this trend?

1. Get your marketing beyond the borders. Advertising in local publications and MLS systems alone do not expose you to 60% of the potential buyers.
2. Reposition your marketing from just promoting listings and open houses to things on social media that promote the state, city, and geographical area in which you practice.
3. Build broader networks that reach listing agents and referral sources out of state focusing on the areas where people are currently living prior to their relocation in North Carolina.
4. _____

Student Notes

Inventory and Prices

Average home prices across the state have increased on average over 20% annually. In Charlotte prices increased 54% from 2020 to 2022. Charlotte is now at least 10,000 Housing Units short of demand. Labor shortages and material cost volatility equal significant challenges for builders trying to keep up with demand.

Student Notes



1. Get good at preparing Comparative Market Analysis CMA's
2. Check your market DAILY
3. Track metrics REGULARLY (which metrics are important?)
4. _____

Student Notes

Seller's Market

What Is A Seller's Market? A seller's market arises when demand exceeds supply. In other words, there are more buyers, but inventory is low. Since there are fewer homes available, sellers are at an advantage.

Other Trends that emerged in North Carolina due to the seller's market include; High DD fees, No Earnest Money Deposits, Multiple Offers on virtually every listing, Appraisal Gaps, and Inspection Waivers.

In this hyper competitive fast moving market, it's very important that agents have a complete understanding of the 2-T Standard Offer To Purchase and Contract.

- What can you do if the Buyer delays DD fee or never delivers DD Fee at all?
- Is the DD fee still owed to the seller if it was never delivered?
- Was there even "consideration" OR a "fully executed contract" if DD fee was never delivered?
- Can DD fee be paid with apps like PayPal, CashApp, Venmo etc.?
- What's the highest DD fee you've seen?
- What are Pro's and Con's with DD fees?

The highly competitive market has led Buyers to **EVEN MORE** unorthodox approaches including Appraisal Gaps and Inspection Waivers.

An "Appraisal Gap" is when the Buyers KNOW that the Appraisal will likely come in lower than the Contract Price and they sign an agreement to pay the difference IN CASH !!

An "Inspection Waiver" is a Buyer signed document agreeing to either not have inspections OR not request repairs for anything on an inspection report.

- Are these Good or Bad ideas? Why?
- Where do agents get these agreement forms?
- Could agents be at risk for liability?
- What should Buyers know about these trends?



1. KNOW the Contract forwards and backwards!!
2. Get good at explaining the difference between EM & DD Fee
3. Caution clients about the risks
4. DOCUMENT, DOCUMENT, DOCUMENT



The Invasion of the iBuyers



Real estate has been inundated with the advent of venture capitalists creating iBuyer programs. What is an iBuyer?

“instant Buyers” Investment Pools of Money Capitalizing on Real Estate Transactions. Many iBuyer companies have launched Stock Market IPO’s to raise BILLION\$ in venture capital. For example, Offerpad went public Q3 2021.

The iBuyer models are premised on some basic concepts:

- **Selling a home is a lengthy torturous process**
- **The tough part is the interim between selling and buying**
- **There is a lot of money in real estate commissions**
- **Speed and certainty are key issues**

Therefore, the pooling together of investor money to accelerate the process and aid in the transition period. These companies are well funded and venture capital is raised on \$100 million dollar investment rounds, per investor. Softbank Group, as an example, has been standing in the wings with billions ready to invest.

Who are the Players?



Who Are the Players?

2017 Projections were that listing leads alone could equal all of Zillow's revenue. That iBuyers could represent 60% of all sales and purchases by 2022. These projections were based on other successful business model disruptors.

Actual numbers proved to fall a bit short of initial projections. ACTUAL iBuyer market share was 1.3% in 2021, not close to 60%.

Things to keep in mind about iBuyers;

- Yet to be tested by market downturns...
- Raising Money Does Not Equal Profit
- Raising Money Does Not Equal Market Share
- Real Estate transactions can often be more complicated than expected
- Lenders & FNMA Aren't Necessarily Fans
- They JUST MAY NOT LAST

The Role of Expertise

"More than ever, sellers need the help of a professional real estate agent, especially when there is an iBuyer offer on the table. The implication is they can go it alone or use a professional. The way we see it consumers need professional help to make the right decision."

FORBES, March 6, 2019



Student Notes

Ups & Downs Discussion Point



What has been
YOUR
experienced
with iBuyer
Companies?



**TIPS FOR
RIDING THIS
TREND**

What concepts, ideas or tips should you develop in order to position yourself to take advantage of this trend?

1. Research and understand what they are and how they work before you voice opinions on them. Talking negatively about your competition just makes you look bad.

- 2. Get better at your value propositions and the services you provide.
- 3. Absent value, sellers and buyers will always look for the lowest price first
- 4. Keep in mind many of your fellow agents, settlement service providers, attorneys and lenders work with these companies on a regular basis.
- 5. _____
- 6. _____
- 7. _____

Student Notes



The Student Debt Trend

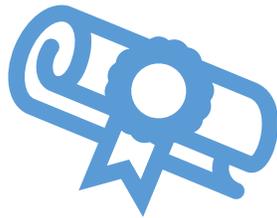
The vast majority of buyers finance their home purchase. The median amount that was financed for all buyers was 90% and 75% of down payments came from savings.

The loan programs most often used were FHA loans of which over 60% of all buyers used to finance their home purchase. 25% used VA financing. The frequency of use of these programs indicates buyers purchasing homes with little down and within loan programs that allow for a bit higher debt load ratios than traditional conforming loans.

A big part of the explanation for the high use of these programs is not only the amount of down payment; it is the amount of student debt that is affecting homeownership because that debt has to be calculated into allowable debt ratios. Here are some basic facts:

- **27% of all buyers have student debt**
- **50% of first time home buyers have student debt**
- **50% of those with student loan debt owe between \$10,000 and \$50,000**

Student loan debt has become the primary debt that has prohibited half of all buyers and over 55% of first-time home buyers from saving the down payment necessary for a home. Here is what we know about buyers with student debt:



- 1946-1964 • **30% of Baby Boomers said their student debt postponed them from buying a home.**
- 1965-1979 • **53% of Generation X stated their student loan debt is delaying them from owning a home**
- 1980-1994 • **60% of Millennials say their student loan debt postponed them from buying a home**
- 1995-2012 • **40% of Generation Z say their student loan debt is delaying them from owning a home**



Such debt issues also increase the importance that buyers are attaching to the ancillary costs of homeownership such as utility payments and energy efficient features.

President Joe Biden's plan to forgive up to \$20,000 in student loans for eligible borrowers will likely make it easier for many to qualify for a mortgage, according to experts.

Student Notes



What concepts, ideas or tips should you develop in order to position yourself to take advantage of this trend?

1. Identify lending and debt counseling resources that can help potential borrowers properly structure student and other debt in order to complete the home purchase process.
2. Connect with 2-3 good lenders in your market.
3. Pay attention to student loan forgiveness plans.
4. _____

Student Notes



The Repeat Business Trend

One of the salient facts that we often forget about buyers is that for the vast majority of them their prior living arrangement was that they owned a home. 86% of buyers owned a home previously and the median distance that the buyers moved from their previous home was 12 miles. This means for real estate professionals that we should keep in mind that every seller is also a potential buyer, and the statistics bear out the fact that we are not always capturing that business.

As sellers these clients were happy with their listing agents. 85% said they would recommend their agent for future services. This was composed of 70% who said they would definitely recommend and 15% who said they would probably recommend. They actually made the recommendations. The typical seller recommended their agent twice and 33% of sellers recommended their agent three or more times.

All of this is good. Two troubling statistics stand out:

- Only 11% of buyers used the agent previously to sell a home; and
- Only 55% of sellers used the listing agent as their buyer's representative.

This means that a lot of business is getting lost by listing agents not picking up the seller's eventual buying transaction. When NAR asked why more people did not use the same agent the most common response from consumers was, **"I did not know my agent did that."** If that comment strikes you as strange, think about the way we typically position ourselves in a listing presentation. We claim we are the experts at selling. We tell the consumer that some agents represent sellers and others represent buyers. Then we tout our experience on the listing side.

We could probably all do a better job of making certain that we discuss with sellers their future plans and have discussions with them about representing them as a buyer during the selling of their existing home. You cannot get the business if you don't ask.

Student Notes



What concepts, ideas or tips should you develop in order to position yourself to take advantage of this trend?

1. Identify and clarify the seller's future plans as to what they plan to do and where they plan to live after their home sells.
2. Include information and discussions about buyer representation in your listing presentation.
3. Include information and discussions about listing and selling a home in your buyer representation presentations.
4. _____

Student Notes



Rental Trends

34% of U.S. households are renters. The national median rent exceeded \$2,000 in 2022. The most expensive states in which to rent are New York, California, and Massachusetts.

The median rent-to-income ratio for renters in the U.S. is 57% or 2x the recommended 30% ratio. What are some causes of these increases?

- _____
- _____



What concepts, ideas or tips should you develop in order to position yourself to take advantage of this trend?

1. Network with Property Managers
2. Know what rental rates are in your area.
3. Help people move from renting to owning.
4. _____



The Airbnb Trend

Airbnb's have become big business. As an online resource for short term rentals, Airbnb's have now reached over 7 million properties worldwide and there are over 660,000 listings in the U.S. the highest of any of the more than 220 countries with Airbnb's

Properties range from elaborate luxury properties to single rooms with commissions paid on bookings of around 3% and collection of an additional

premium from the guests or users that ranges from 6% to 12%.

What the Airbnb phenomenon really functions as is:

- **Disintermediation of the hotel industry**
- **The firing of property managers**
- **Consumer empowered tool for short term rentals**

They became popular for all of the following reasons:

- Value accommodations
- Huge range of price points
- Cashing in on spare space
- Cost savings to the consumer vs. traditional hotels
- Cost savings to owners vs. property management fees
- Allows people to live like locals

Student Notes

There are however, lots of pitfalls for Airbnb owners and the tenants who use such properties:

- Tax consequences and the reporting of income
- Insurance consequences
- HOA & Zoning Restrictions
- Fire Code and Smoke and Carbon Monoxide Detection Device Violations
- State Law Violations

There are already established laws that apply to Airbnb properties as well. And these laws affect licensed AND unlicensed hosts. More laws are being passed regularly related to the growing Short Term Rental trend.



Warning For All Airbnb Owners (Particularly Licensees)

- All security deposits go in trust accounts
- All deposits returned within 30 days
- ALL leases less than 30 days must be in writing
- Short term rentals require advance deposits to be held in trust until occupancy



What concepts, ideas or tips should you develop in order to position yourself to take advantage of this trend?

1. Question whether or not you have crossed the line into property management.
2. Be aware of local and HOA restrictions and requirements.
3. Get into legal compliance on short term rentals.
4. _____



Technology Trends Changing the Real Estate Profession

It is difficult to imagine any profession that has not been massively affected by technology changes over the last several years and the real estate profession is no exception. The National Association of REALTORS® Member Profiles publication is a good source of information about our profession.

A Good Source of Information About Professionals

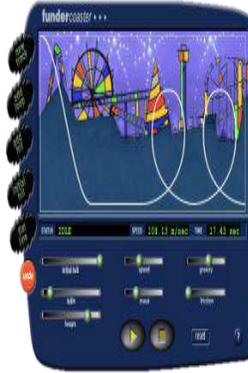


2022 NAR Member Profiles

Available from NAR.REALTOR®
\$14.95 for Members

Key Statistics

- 60% of buyers use mobile devices to search for homes
- 47% of buyers began their search by looking online **up from 43% in 2017**
- 90% of agents primary communication is still email **down from 93% in 2017**
- More reliance on Texting
- 69% of REALTORS® have a website



Student Notes



Attack of the Drones *Enter the Age of Fly Bys*

We are finding new ways in which to utilize drone technology every day, including real estate. The 2016 NAR Member Profile was the first profile ever to document the use of drones by real estate professionals:

You can expect the use of drones in real estate to continue to grow as a trend. They bring to the real estate profession the ability to showcase properties, neighborhoods and their surrounding areas through the use of affordable aerial videos and are already being used in many markets. This type of technology can prove particularly useful to commercial, land and agricultural agents, and is also being widely used in residential properties.

The FAA's Small Unmanned Aircraft Rule (The Following from NAR entitled "FAQ's for Small Unmanned Aircraft" available at NAR.REALTOR.com)

On June 21, 2016, the Federal Aviation Administration ("FAA") issued its highly anticipated "Small Unmanned Aircraft Rule" (14 C.F.R. Part 107). In response to NAR members' growing interest in using this technology in connection with their real estate businesses, we assembled this FAQ to address some of the most frequently asked questions regarding the legal and regulatory landscape pertaining to the use of unmanned aircrafts.

1. Where can I find a copy of the Small Unmanned Aircraft Rule?

The full text of the Small Unmanned Aircraft Rule ("sUAS Rule"), along with background information, may be found on the FAA's website: [FAA.gov - Operation and Certification of Small Unmanned Aircraft Systems - Complete Rule \(link is external\)](#) (PDF).

A summary of the sUAS Rule may be found on the FAA's website: [FAA.gov - Summary of Small Unmanned Aircraft Rule \(Part 107\) \(link is external\)](#) (PDF).

2. When is the sUAS Rule effective?

The sUAS Rule is effective August 29, 2016.

3. What is a small unmanned aircraft system?

A small unmanned aircraft system ("sUAS") is defined in the sUAS Rule as an unmanned aircraft weighing less than 55 pounds. The weight limitation of a sUAS includes all of the associated elements required to operate the sUAS, and anything onboard or attached to the sUAS.

4. How does the sUAS Rule change my ability to use a sUAS?

Pursuant to a set of operational and safety requirements, as well as a remote pilot certificate requirement (see question 7), the sUAS Rule integrates sUAS into the national airspace, and permits the operation of sUAS for commercial purposes. Once the sUAS Rule becomes effective on August 29, 2016, and provided a person operates the sUAS within the limitations set forth in the rule, an exemption or waiver will no longer be required prior to operating a sUAS (see question 23).

By way of background, prior to the sUAS Rule, the only way to operate an unmanned aircraft for a commercial purpose was to request a Section 333 exemption from the FAA. Section 333 exemptions authorize certain unmanned aircraft to perform commercial operations on a case-by-case basis.

5. What happens to a current Section 333 exemption?

A current Section 333 exemption holder may continue to operate a sUAS pursuant to the terms and conditions of the exemption through its expiration date. In the alternative, however, Section 333 exemption holders may conduct sUAS operations in accordance with the sUAS Rule once it goes into effect August 29, 2016.

6. **Is a pilot's license required to operate a sUAS?**

No. A FAA-issued pilot's license is no longer required to operate a sUAS.

7. **is any license required in order to operate a sUAS?**

Yes. In order to operate a sUAS, an individual must obtain a remote pilot certificate with a sUAS rating from the FAA.

8. **Are there any eligibility requirements for a remote pilot certification?**

To obtain a remote pilot certificate with a sUAS rating, you must meet the following eligibility requirements: 1) be at least 16 years old; 2) be able to read, write, and understand the English language; and 3) be in a physical and mental condition that allows for the safe operation of the sUAS; 4) pass an initial aeronautical knowledge test.

Additional information regarding the eligibility requirements and application process for a remote pilot certification with a sUAS rating is available on the FAA's website: FAA.gov - [Fly for Work/Business - Becoming a Pilot \(link is external\)](#).

9. **What is the cost of a remote pilot certificate with a sUAS rating?**

The FAA estimates that a remote pilot certificate with a sUAS rating will cost approximately \$150.

10. **Is a Remote Pilot Certificate valid indefinitely?**

No. A remote pilot certificate holder is required to pass a recurrent aeronautical knowledge test every 24 calendar-months.

11. **If an individual holds a pilot's license, is a remote pilot certification with a sUAS rating still required?**

Yes, a remote pilot certificate with an sUAS rating must be obtained. However, an individual with a pilot certificate issued under 14 CFR Part 61, and who has successfully completed a flight review within the previous 24 calendar-months, is not required to pass the required initial aeronautical test. Instead, a part 61 certificate holder may choose to take, and pass, a part 107 online training course.

12. **The sUAS Rule requires a sUAS operation to designate a remote pilot in command. What is a remote pilot in command?**

The remote pilot in command (“RPIC”) has direct responsibility for and the final authority over the sUAS operation. The RPIC must have either a current remote pilot certificate holder or a pilot’s license with the necessary training courses referenced in question 11.

13. **Is a visual observer required to conduct a sUAS operation?**

The use of a visual observer (“VO”) is optional. If, however, a VO is used, the RPIC and VO must be able to effectively communicate at all times.

14. **Does the sUAS have to be within the visual line of sight of the persons participating in the sUAS operation?**

Yes. The sUAS must be within the visual line of sight (“VLOS”) of the: 1) RPIC; 2) person manipulating the sUAS flight controls; and 3) VO. However, for operational necessity, brief breaks in VLOS are permissible as long as the individual who has broken VLOS is able to quickly resume VLOS.

15. **Can a sUAS be operated any time of day?**

No. The sUAS may only be flown during daylight hours. However, if the sUAS has appropriate anti-collision lighting visible for at least 3 statute miles, the sUAS may operate during civil twilight hours. Civil twilight hours are defined as the period of time that begins 30 minutes before official sunrise and 30 minutes after official sunset.

Please note that the above definition of civil twilight does not apply in Alaska. In Alaska, civil twilight is defined in the Air Almanac.

16. **What is the permissible altitude at which a sUAS may be operated?**

In general, a sUAS may be flown no higher than 400 feet above ground level. However, a sUAS may be flown within a 400-foot radius of a structure provided the sUAS does not fly higher than 400 feet above the structure’s uppermost limit.

17. **What is the maximum speed a sUAS can be flown?**

A sUAS may be operated at a maximum groundspeed of 100 miles per hour.

18. **Are there any preflight obligations?**

Yes. Prior to any sUAS operation, the RPIC must conduct a pre-flight inspection to verify that the sUAS is in safe operating condition, assess the operating environment, including any risks to persons or property, and conduct a crewmember briefing.

19. **Can a sUAS be operated from a moving vehicle or aircraft?**

A sUAS cannot be operated from a moving aircraft, and in general, a sUAS may not be operated from a moving vehicle.

However, a sUAS may be operated from a moving land or water-borne vehicle if the sUAS is: 1) flown over a sparsely populated area; and 2) not transporting another person's property for compensation or hire.

20. **Can a sUAS be operated over persons not involved in the sUAS operation?**

No. A sUAS may not be operated over persons not directly involved in the sUAS operation, unless those persons are located under a covered structure or inside a stationary vehicle that would provide reasonable protection in the event of an accident.

21. **Can a sUAS be used to transport property?**

Yes. The sUAS may be used to transport property for compensation or hire provided such operation occurs wholly within the bounds of a state. There are additional restrictions in Hawaii, the District of Columbia, and United States' territories and possessions. In addition, please refer to question 19.

22. **Can an individual simultaneously operate more than one sUAS?**

No. An individual may only act as the RPIC or VO for one unmanned aircraft at a time.

23. **Can any of the operational limitations be waived?**

Yes. The FAA Administrator may issue a certificate of waiver authorizing a deviation from certain of the operational limitations provided the Administrator finds that the sUAS operation can still be safely conducted. Some of the waivable operational limitations include, but are not limited to, daylight operations, operation of multiple sUAS, operation over people and operation in certain airspace.

24. **Would a medical condition preclude an individual from participating in a sUAS operation?**

Yes. A person who knows or has reason to know that they suffer from a physical or mental condition that would interfere with the safe operation of the sUAS would be precluded from participating as a RPIC, VO or direct participant in such operation.

25. **Are there any circumstances where an sUAS operation can deviate from the operational limitations without prior approval?**

In the event of an in-flight emergency, the RPIC can deviate from the operational limitations to the extent necessary to address the emergency. Upon request, the RPIC may be required to submit a written report to the FAA regarding any such deviation.

26. **What happens if a sUAS is involved in an accident?**

Within 10 calendar days of an accident, the RPIC must report the accident to the FAA if the accident involved: 1) serious injury to a person or any loss of consciousness; or 2) damage to any property, other than the sUAS, whose fair market value is greater than \$500 and where the accident results in repair or replacement costs in excess of \$500.

27. Does a sUAS have to be registered?

Yes. If the sUAS is over 0.55 pounds (250 grams), the sUAS must be registered. Registration information may be found on the FAA's website: [RegisterMyUAS.FAA.gov](https://www.faa.gov/registermyuas) (link is external).

28. Does the sUAS Rule have any privacy-related provisions?

No. The FAA's focus is on the safety of the national airspace, and therefore, the sUAS Rule does not have any privacy-related provisions. It is important that sUAS operators be familiar with relevant state and local privacy laws.

In addition to state and local privacy laws, the National Telecommunications and Information Administration ("NTIA") published a set of voluntary best practices for unmanned aircraft systems privacy, transparency and Accountability. A copy of the NTIA voluntary best practices is available here: [NTIA - Voluntary Best Practices for UAS Privacy, Transparency, and Accountability](#) (link is external) (PDF).

29. Are there any additional laws that may apply to sUAS operations?

Yes. In addition to privacy laws, there is a patchwork of applicable State and local laws, including traffic laws that may impose additional restrictions on sUAS operations.

30. What should an individual consider when hiring a company to conduct a sUAS operation?

Items to consider when selecting a company to conduct a sUAS operation include whether: 1) a sUAS operator has either a current remote pilot certificate with a sUAS rating or a current pilot's license and successfully completed the necessary training courses; 2) the company has insurance coverage in the event of an accident or other related legal issue; and 3) the contract indemnifies you for any claims related to the sUAS operation, including privacy, personal injury, and property damage claims.

31. Can sUAS still be operated for hobby or recreational use?

Yes, provided the sUAS operation meets all the conditions for hobby or recreational use. The sUAS Rule prohibits model aircrafts from operating in a manner that endangers national airspace. More information on model aircraft operations is available on the FAA's website: [FAA.gov - Advisory Circular - Model Aircraft Operating Standards](https://www.faa.gov/ads) (link is external) (PDF).



The Social Media Craze

When multiple forces intervene and collide there is a synergistic multiplier impact that occurs. That's what's happened with video and social media. Consumers showed preferences for video over text content more than a decade ago already, but the advent of social media platforms made the uploading and viral spreading of videos easy to master and then every consumer was armed with a palm sized device on which they could not only watch videos, but create them as well. The result has been an explosion of internet video production and usage.

The very first video was uploaded to YouTube in April 2005. In barely a decade the site became the number one video website in the world and second largest search engine. Some of the statistics are simply mind boggling:



- 2.5 billion users on in 2022
 - Up from 1.3 billion in 2017
 - 1 billion hours of videos are watched on YouTube every single day
 - 720,000 hours of video is uploaded to YouTube every day
 - Up from 300 hours in 2017
 - The average number of mobile viewing session lasts more than 40 minutes
- 76% of the users are over the age of 25
 - More than half of the YouTube views come from mobile devices

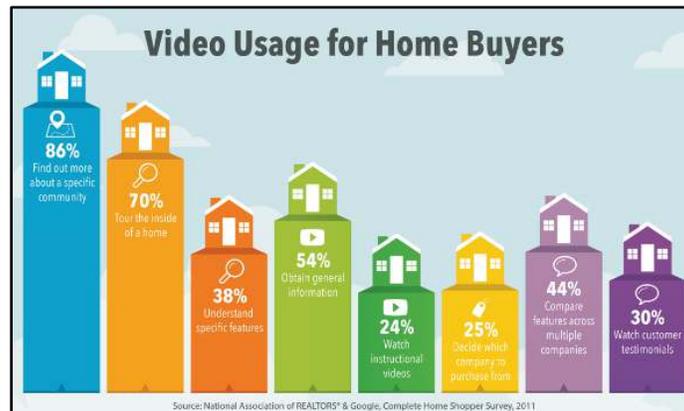
Those are just the YouTube statistics. The overall trend of increased video usage and the power of social media have been a portal for many agents who have experienced tremendous success in building their business on this trend.

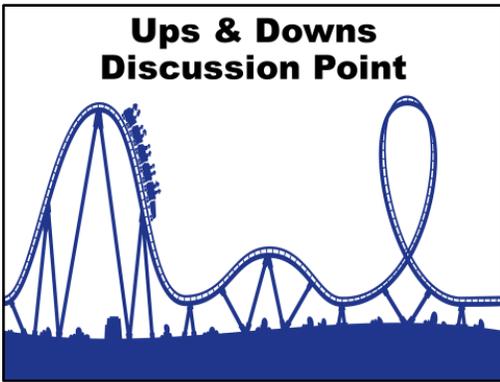
The Impact of Video in Real Estate



Success is the best revenge. Real estate agent Emily McAllister, 25, went viral in a TikTok video — sticking it to a former boss who wrote her off as a failure, telling her she didn't have what it takes. McAllister accumulated almost 6 million views as she documented her journey in the past year to reach a goal of \$11.15 million in sales. "If I had let that first boss get to me, I probably wouldn't have stayed in the business". It didn't take long for McAllister's video to now generate 220,000 new followers, even **catching the eye of the queen of real estate herself, Barbara Corcoran**, who commented on the video: "awesome."

Uses of Video in Real Estate





What are some unique and innovative ways in which you can leverage the video trend craze in your real estate practice?

Student Notes

Video Trend



What concepts, ideas or tips should you develop in order to position yourself to take advantage of this trend?

1. Create a FREE YouTube account and brand your own YouTube Channel.
2. Create short promotional videos about you, your company or your area.
3. Create videos that provide information of value about the process and the transaction.
4. _____
5. _____
6. _____

Student Notes



Mobility Optimization

It's not when, it's now. The Mobility Trend will just continue to accelerate as the millennials age and also as Generation Z enters the real estate market. Most of the access today to real estate information and the search for homes is through a mobile device. Make sure your online presence is optimized for mobile access and display.

Student Notes



Crypto, is any form of currency that exists digitally or virtually and uses cryptography to secure transactions. It's a peer-to-peer system that can enable anyone anywhere to send and receive payments. Crypto payments exist purely as digital entries to an online database. Crypto runs on a distributed public ledger called blockchain, a record of all transactions updated and held by currency holders. If you own crypto, you don't own anything tangible. What you own is a digital key that allows you to move a record of measure from one person to another without using a trusted third party like a bank. Think of it like the "Chain Of Title" in Real Estate, but for currency instead. It's a historical record of ALL transactions.



Data Driven Real Estate

Most major companies today are collecting massive amounts of data. In fact the real business that many companies are in is not providing free services or technology, but the collection of data.

- Google knows every keystroke ever made in the search bar
- YouTube knows every video you have ever watched, how long you watched it and the precise point at which you stopped watching it
- Facebook knows every post you ever liked and every site to which you are connected
- Siri knows every question you ever asked.

Companies are using and selling that data to target consumers and to refine marketing and other approaches to reach customers and consumers.

Of course big data, the collection and the use of it is what is driving many of the other trends



that are discussed in this course. It also means we live in a world where privacy is longer attainable. The technological progress is unstoppable. People are presented with more and more things that make life easier, more efficient, and just plain cool. The internet has opened tons of doors for folks in the real estate business – starting from internet advertising through online listings and ending up with virtual tours. Each of these technological advances facilitated fast and smooth property selling.

It also means we live in a world where privacy is longer attainable. There are a multitude of issues that the technology can create in the everyday world of real estate.

Already we are finding ourselves and our clients asking questions that we never thought we would have to ask:

- Where is the stored electronic history of this home's security camera. Who has footage of inside and outside of my home? Is it security information secure?
- Was this home connected to NEST? Where is that data and who can access it?
- Why are all of the interior photos of my new home on social media?
- Who can unlock and also see my front door?
- What information about this home does everyone else know but me?



Knowing the Real Deal on Surveillance and Security Privacy Issues

Many sellers and homeowners have security systems today. Both Federal and State laws dictate and limit the use of both video and audio. After much research on this issue by the North

Carolina Real Estate Commission here are their conclusions regarding both North Carolina's Electronic Surveillance Act and the federal wiretapping statutes:

1. **It is not illegal, and no notice is required for a homeowner to record video footage.**
2. **You can always record any conversation of which you are a part, and no notice or consent is required from the other party**
3. **You can NEVER electronically obtain or listen to conversations (audio) of which you were not a part.**

Licensees should be advising sellers that they are permitted to keep video surveillance in place. They do not have to disclose to prospective buyers that video recordings are taking place. Sellers should be advised to disable all audio and not record audio when they are not in the home or room where the conversation is occurring.

Buyers should be advised that any home they visit may have electronic surveillance and there is no requirement that they be notified or informed of such video recordings.

When you look through the camera of your cell phone multiple layers of information are displayed on the screen. For example, if you are viewing the front of a movie theater the camera view will now display the various movies and times, you can click on trailers or purchase tickets. Views of restaurants display menus and wait times. Views of homes can display prices, features, details, and virtual tours.



Big Data Trend

What concepts, ideas or tips should you develop in order to position yourself to take advantage of this trend?

1. Don't be afraid of sharing data
2. Learn and watch for signs of hacks
3. Always act like you're being audio & video recorded
4. Make certain buyers are warned they may be on camera.
5. _____



Experts made predictions and projections based on a number of positive factors expected to continue into the future. Let's take a look at some of those predictions from around 2017 +/- and see how the experts did. Some of the predictions included:

- Moderately rising mortgage rates
- Low risk of a housing crash for most cities
- Labor shortages pushing up the costs of production
- A healthy "expected to grow" economy

The Mortgage Interest Markets

PROJECTION - In 2018 most experts predicted that interest rates on 30 year fixed conventional mortgage loans would remain low, but would rise slightly in the years to follow.

Mortgage Rate Projections

Quarter	Fannie Mae	MBA	NAR	Average of All Three
2019 1Q	4.8	4.8	4.7	4.77
2019 2Q	4.8	4.9	4.8	4.83
2019 3Q	4.8	5.0	4.9	4.90
2019 4Q	4.8	5.0	5.0	4.93

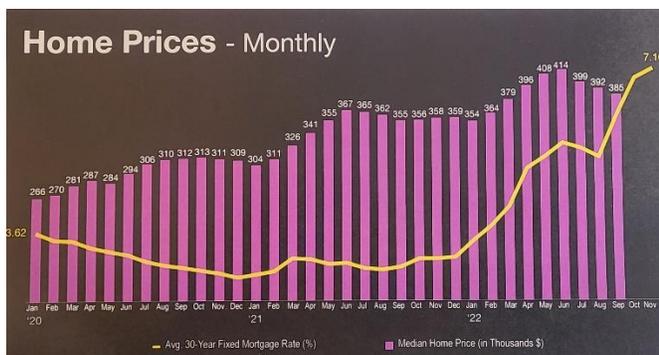
Here is the historical trend for mortgage interest rates:



REALITY - Mortgage interest rates declined from Jan 2019 through Jan 2022 and then rose RAPIDLY and continue to rise. Now projections are that rates will continue to climb and hopefully level off in 2023.

Home Prices & Appreciation

PROJECTION - There will be upward pressure on home prices. In areas of robust economic activity, annual appreciation is predicted to be at or over the 10% marker. The top forecast markets include places like Seattle, Washington at 11.2%, Portland, Oregon at 11.1% and Denver, Colorado at 9.9%.



REALITY – Home prices in almost all markets exceeded the 10% annual appreciation rate and some markets exceeded 20% annual appreciation.

New Construction & Inventory

PROJECTION - It's predicted that new home construction won't keep up with demand. While the number of new housing starts will increase, the home construction industry is plagued by two primary factors:

1. The availability and hurdles to develop new land
2. Shortages in the skilled labor workforce

For 2017 new construction starts are expected to increase 5% to \$713 billion. Inventory is likely to remain low next year, but it could increase by year-end. The total number of existing homes for sale across the nation declined to 1.85 million in November 2016, down 9.3% year over year. The nation's total housing inventory has dropped on an annual basis for 18 consecutive months. Limited inventory, particularly for lower-priced homes, has made it harder for entry-level buyers to enter the market.

REALITY - Actual Housing Starts were up 17.4% Aug 2020 over Aug 2019, but the Nov 2022 Starts were down -16.4% from Nov 2021 levels. This volatility indicates that homebuilders are nervous about what the future holds and many simply can't get houses started due to materials and labor shortages.

An Out of the Box Surprise The Return To Subprime lending...

PROJECTION - One of the trends to keep an eye on will be the return of more varied and subprime lending products. The combinations of rolling back some of the Dodd Frank provisions, attention to growing the economy, emphasis on housing affordability and more favorable climate for smaller banks and lenders may open the door for more unique out of the box lending solutions for some buyers. While it is not reasonable to expect a return to some of the riskier subprime lending practices, there almost certainly will be more down payment assistance, new home buyer programs and other initiatives attempted.

REALITY - With the sharp rise in interest rates on the 30yr Fixed Mortgage, Borrowers are rediscovering Adjustable-Rate Mortgages (ARMs). But these are NOT the same ARMs that contributed to the housing crash of 2008. Many down payment assistance programs are also available through FHA and Conventional sources.

Do A Quick Review Of What Actually Happened to those Previous Predictions...



Student Notes



Labor & Employment Law

Along with growth come labor law, wage and hour regulations and IRS rules. Please note that nothing in this section is to be construed as legal advice and the best advice we can give you in hiring individuals to work in real estate offices and the manner in which you do so should

be accompanied by a discussion with the appropriate legal and tax professionals.

Licensed Real Estate Professionals are Different

In hiring licensed real estate professionals, real estate brokers and firms have long enjoyed immunity from traditional labor and employment law issues. The IRS specifically classifies licensed real estate agents as “statutory non-employees.”

The screenshot shows the IRS website interface. At the top left is the IRS logo. On the right, there are links for 'Subscriptions' and 'Language'. Below these is a search bar. A navigation menu includes 'Filing', 'Payments', 'Refunds', 'Credits & Deductions', 'News & Events', 'Forms & Pubs', and 'Help & Resources'. The main content area is titled 'Statutory Nonemployees' and includes a list of categories on the left: Corporations, Partnerships, International Businesses, Small Businesses & Self-Employed, and Small Business/Self-Employed Topics (highlighted in orange). The main text explains that there are three categories of statutory nonemployees: direct sellers, licensed real estate agents, and certain companion sitters. It lists two key characteristics: 1) Substantially all payments for their services are directly related to sales or other output, rather than to the number of hours worked, and 2) Their services are performed under a written contract providing that they will not be treated as employees for Federal tax purposes. A note mentions that companion sitters who are not employees of a companion sitting placement service are generally treated as self-employed for all federal tax purposes. A reference is made to Publication 15-A, Employer's Supplemental Tax Guide (PDF) for additional information.

This very specific IRS provision means that so long as brokerages and brokers are dealing with licensed real estate agents and the brokerage has a written independent contractor agreement, the IRS will not reclassify those affiliated with the company as employees using the traditional definitions and guidelines typically used for independent contractors and employees.

The moment that real estate brokers and firms begin hiring any type of unlicensed individual whether in the role of an office manager, receptionist, agent's assistant or closing coordinator, these non-licensed individuals are subject to IRS traditional rules for independent contractors and employees as well as subject to regulation under both federal and state wage and hour laws.

Making decisions as to how people are hired and compensated is a very complex decision when it comes to unlicensed individuals. Simply calling someone an independent contractor or having them sign an independent contractor agreement has never been sufficient to the IRS. The basic delineation depends on who has control over the work being done and the IRS utilizes a 20-Factor Test:

IRS 20-Factor Test: Independent Contractor or Employee

Basic Question: Who Has Control Over the Work Being Done?

- **Instructions.** Workers who are required to comply with others' instructions about when, where, and how they are to work are ordinarily employees.
- **Training.** Training workers indicates that employers exercise control over the means by which results are accomplished.
- **Integration.** When the success or continuation of a business depends on the performance of certain services, the workers performing those services are subject to a certain amount of control by the owners of the businesses.
- **Services rendered personally.** If services must be rendered personally, employers control both the means and the results of the work.
- **Hiring, supervising, and paying assistants.** Control is exercised if employers hire, supervise, and pay assistants.
- **Continuing relationships.** Continuing relationships between workers and employers indicate that employer-employee relationships exist.
- **Set hours of work.** The establishment of set hours of work by employers indicates control.
- **Full-time required.** If workers must devote full time to employers' businesses, employers have control over workers' time. Independent contractors are free to work when and for whom they choose.
- **Doing work on employers' premises.** Control is indicated if the work is performed on employers' premises.

- **Order or sequences set.** Control is indicated if workers are not free to choose their own patterns of work but must perform services in the sequences set by the employers.
- **Oral or written reports.** Control is indicated if workers must submit regular oral or written reports to employers.
- **Payment by hour, week or month.** This points to employer-employee relationships, provided that this method of payment is not just a convenient way of paying a lump sum agreed on as the cost of a job. Independent contractors are usually paid by the job or on straight commission.
- **Payment of business and/or traveling expense.** Employers paying workers' expenses of this nature shows that employer-employee relationships usually exist.
- **Furnishing tools and materials.** If employers furnish significant tools, materials, and other equipment, employer-employee relationships usually exist.
- **Significant investments.** Workers are independent contractors if they invest in facilities that are not typically maintained by employees (such as an office rented at fair market value from an unrelated party). Employees depend on employers for such facilities.
- **Realization of profits or losses.** Workers who can realize profits or losses (in addition to profits or losses ordinarily realized by employees) they are independent contractors. Workers who cannot are generally employees.
- **Working for more than one firm at a time.** If workers perform services for a number of unrelated persons at the same time, they are usually independent contractors.
- **Making services available to the general public.** Workers are usually independent contractors if they make their services available to the general public on a regular and consistent basis.
- **Right to discharge.** The right of employers to discharge workers indicates that the workers are employees.
- **Right to terminate.** Workers are employees if they have the right to end their relationships with their principals at any time without incurring liability.

Under these standards it is difficult for a real estate firm or broker to contend that an unlicensed assistant is not an employee. Therefore, all compliance is required in terms of minimum wage payments, the withholding of taxes, FICA and social security payments.

Furthermore, a licensee is subject to the requirements of North Carolina licensing law and administrative rules. Brokers may wish to review the requirements of 93A-2(6) of the General Statutes

of North Carolina which provides the licensure exemption for unlicensed individuals and states that the exemption only applies to:

Any salaried person employed by a licensed real estate broker...

Licensees can find out more about NC Department of Labor at www.nclabor.com.



Student Notes



More than anything else we hope this class has provided you with tips and keys for a successful ride in your career as a real estate professional. No matter how much things change and regardless of where the roller coaster ride of real estate may take us, the obligation of a licensee to protect and promote the interests of the client continues. We want to help you have a successful ride on the journey ahead!!!

TRENDS

