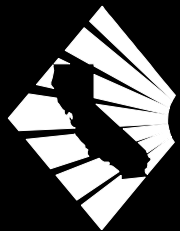




# 2017 California Investor Survey

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CALIFORNIA  
ASSOCIATION  
OF REALTORS®



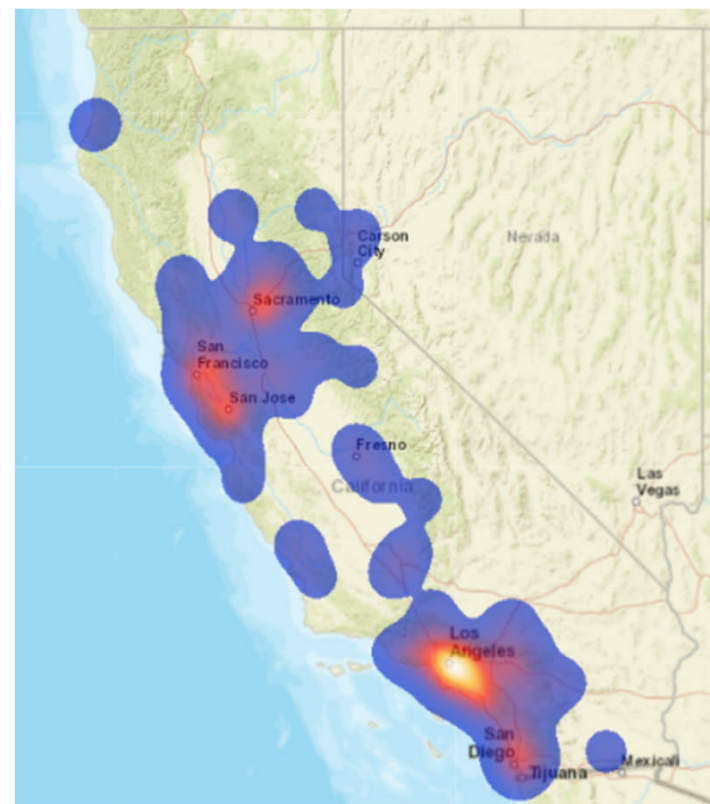
# Survey methodology & objectives

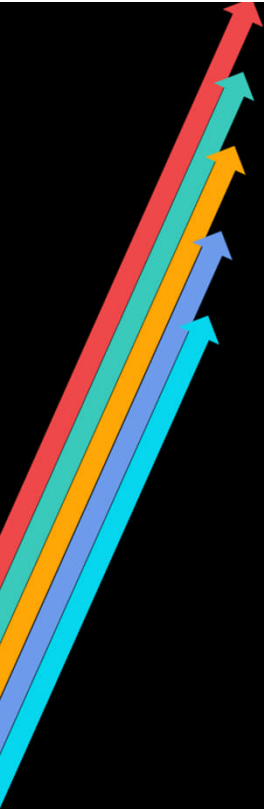
## Methodology

- 293 online surveys conducted July-August 2017
- Respondents: REALTORS® who have worked with investors buyers in the past 12 months
- Sample error: 3% at a 95% confidence interval

## Objective

- Detail who's investing (investor profile)
- What they're buying and why
- How they're paying and what the objectives are
- What the negotiation/process was like
- Strategic/relationship considerations for REALTORS®

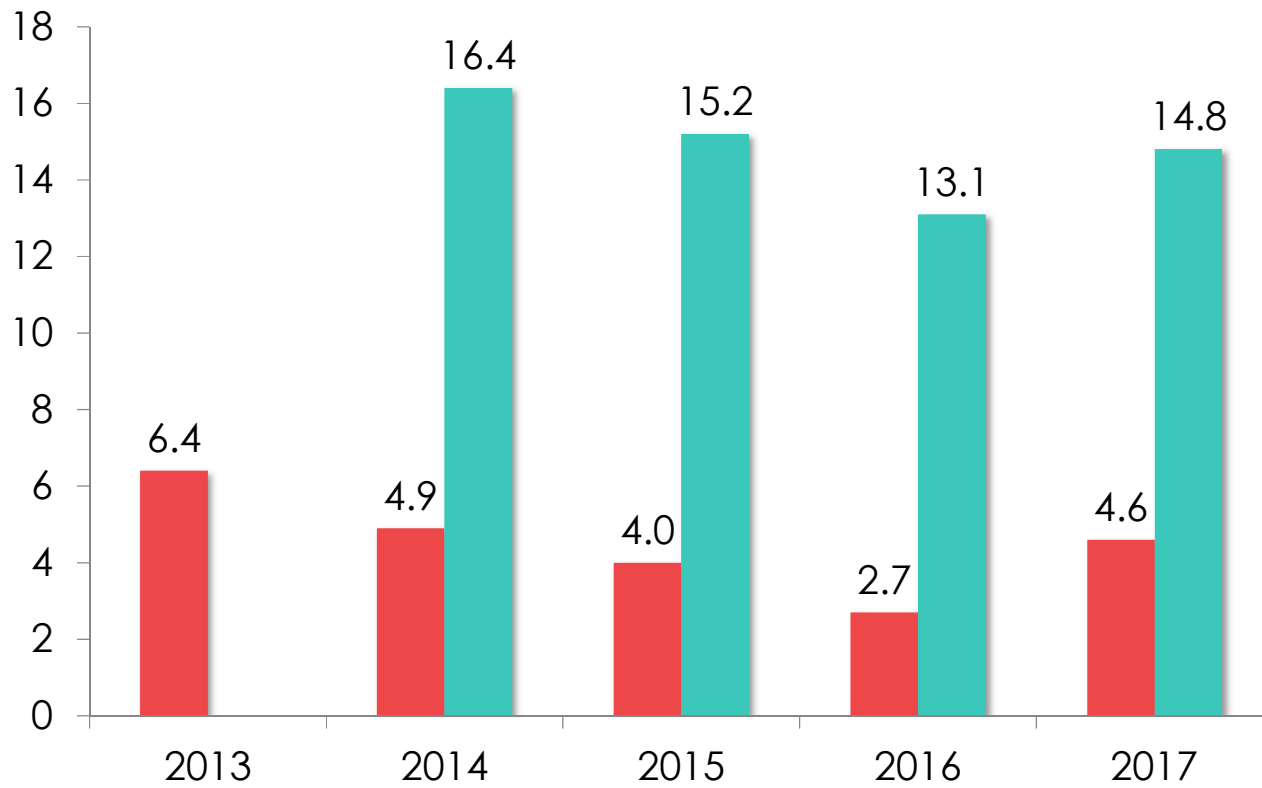




# The Investor Business



# Business is brisk generally... for investors too



■ Average Investor Transactions ■ Average Total Transactions

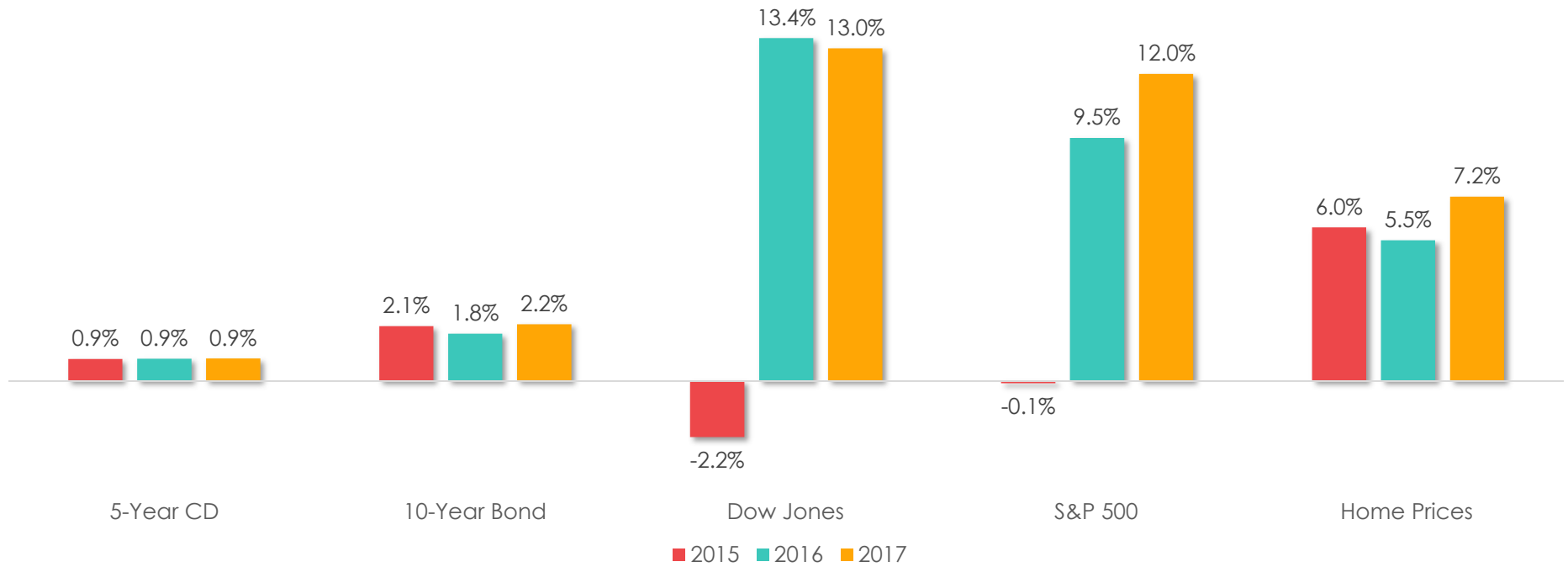
| Type            | Number of Transactions |
|-----------------|------------------------|
| Median          | 3.0                    |
| Mean            | 4.6                    |
| 80th Percentile | 6.0                    |
| Max             | 50.0                   |

Q: How many investor transactions did you close in the past 12 months?



# In some ways, it's the only game in town

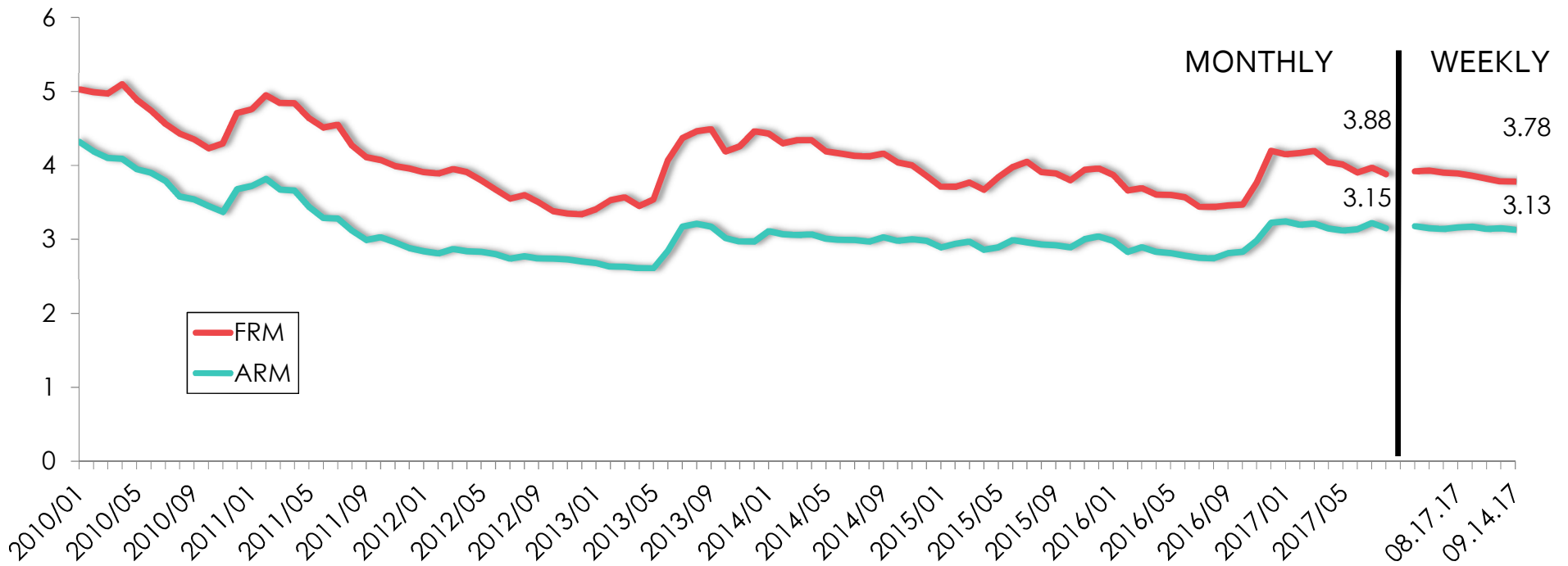
Returns by Investment Type





# And it's still cheap to play with others' money

January 2010 – September 14, 2017



SERIES: 30Yr FRM, 5Yr ARM  
SOURCE: Freddie Mac

# WORLD MARKET CHECK

EVERYTHING  
GOOD?

NOPE!

NON!

NEIN!

NEE!

NEJ!

NYET!

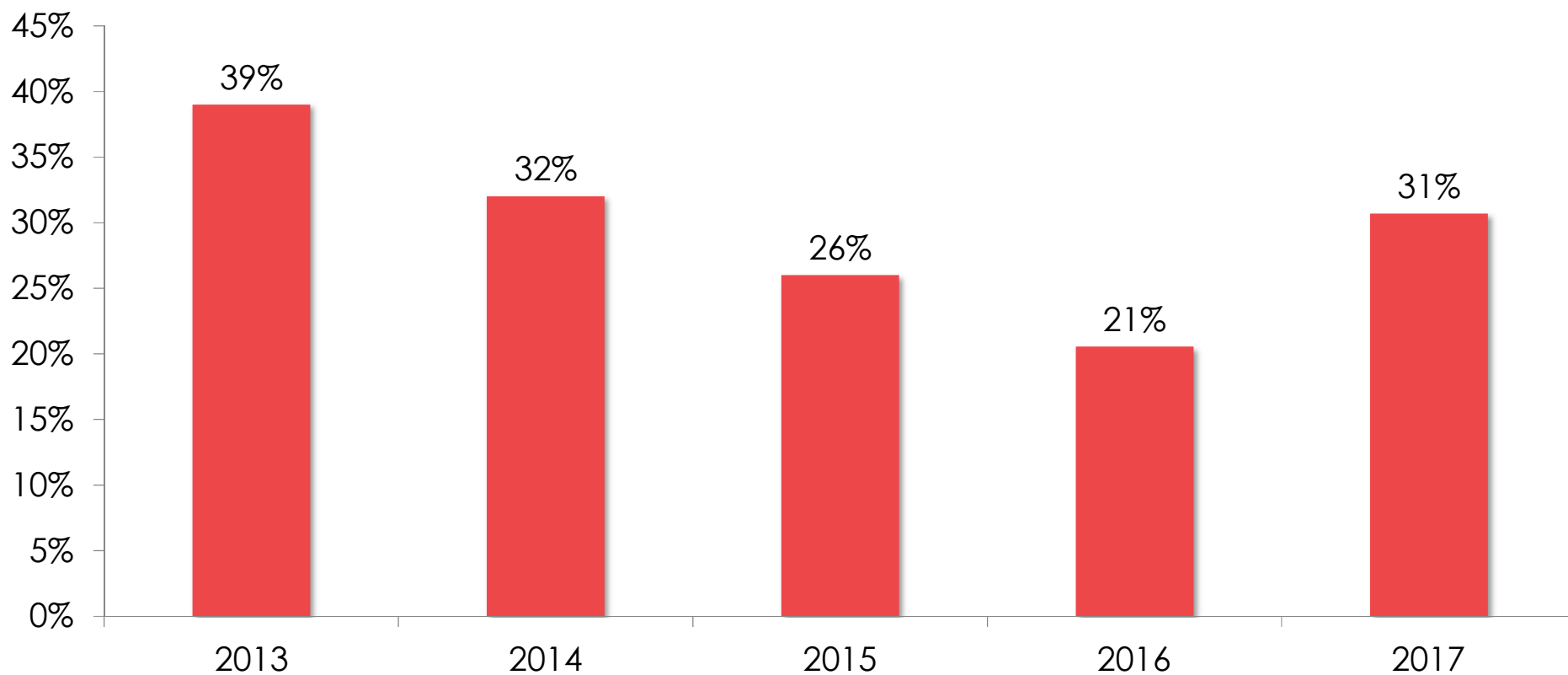
iNO!

否





# Investor business bounced back a bit as result



Q: How many investor transactions did you close in the past 12 months?

Q: How many total transactions did you close in the past 12 months?



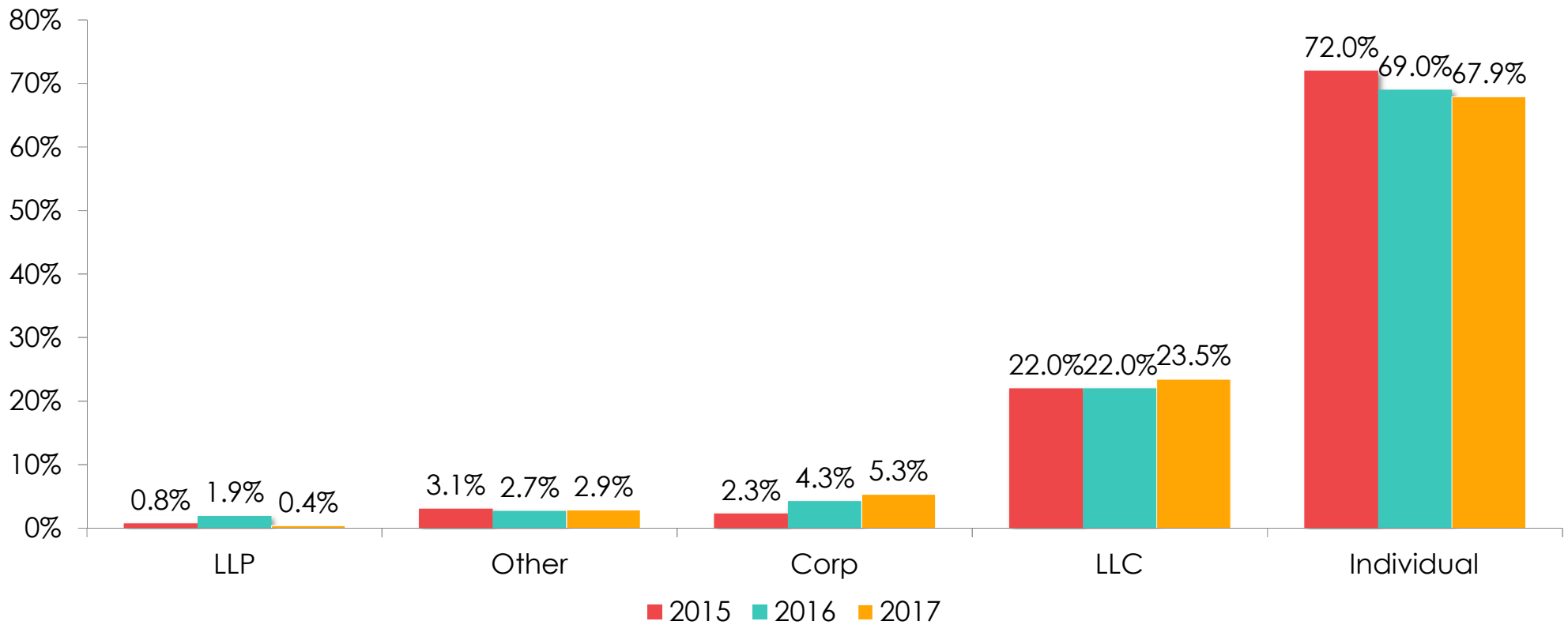


# Who Is Investing?

Client Demographics



# More businesses getting into the mix

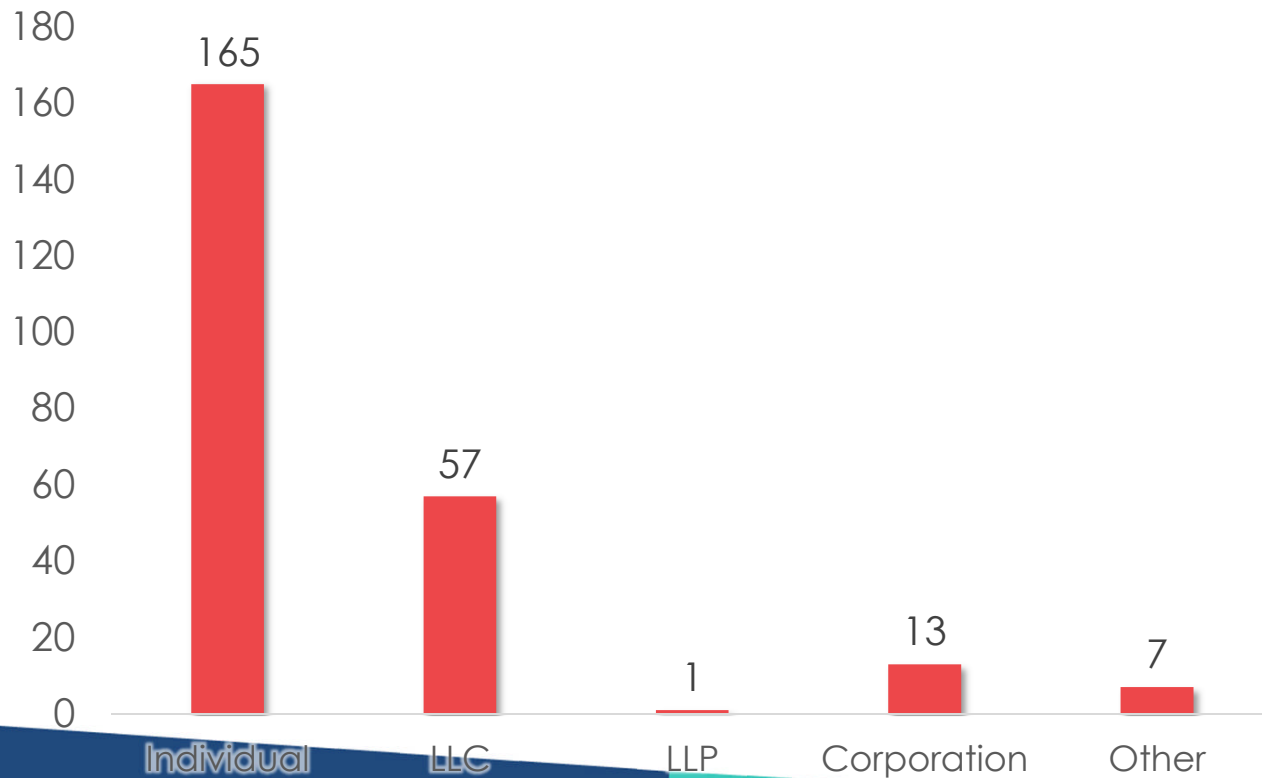


Q: Was your client a(n)?



# Mostly older, individual investors driving market

Number of Agents

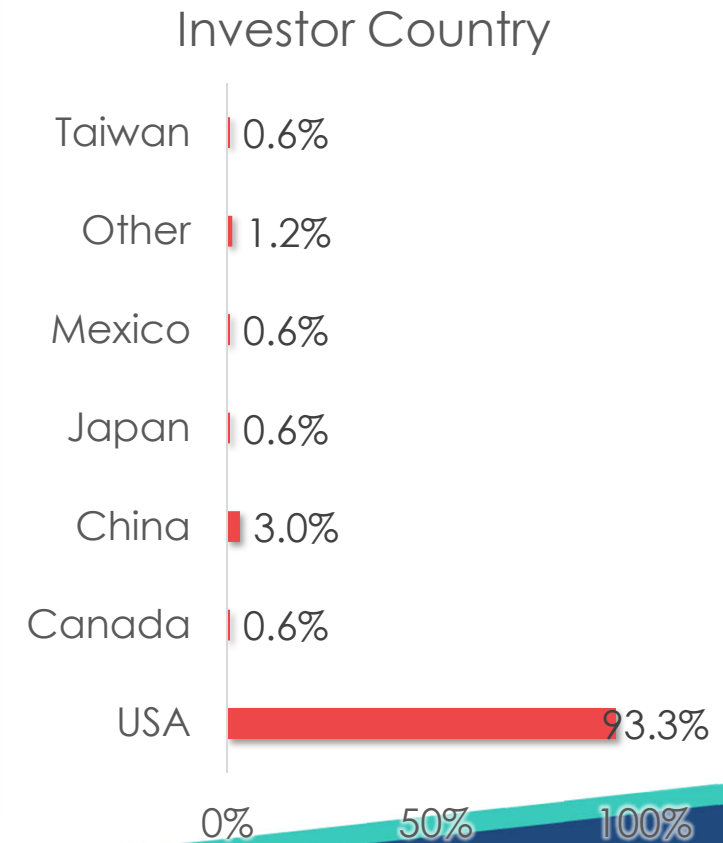
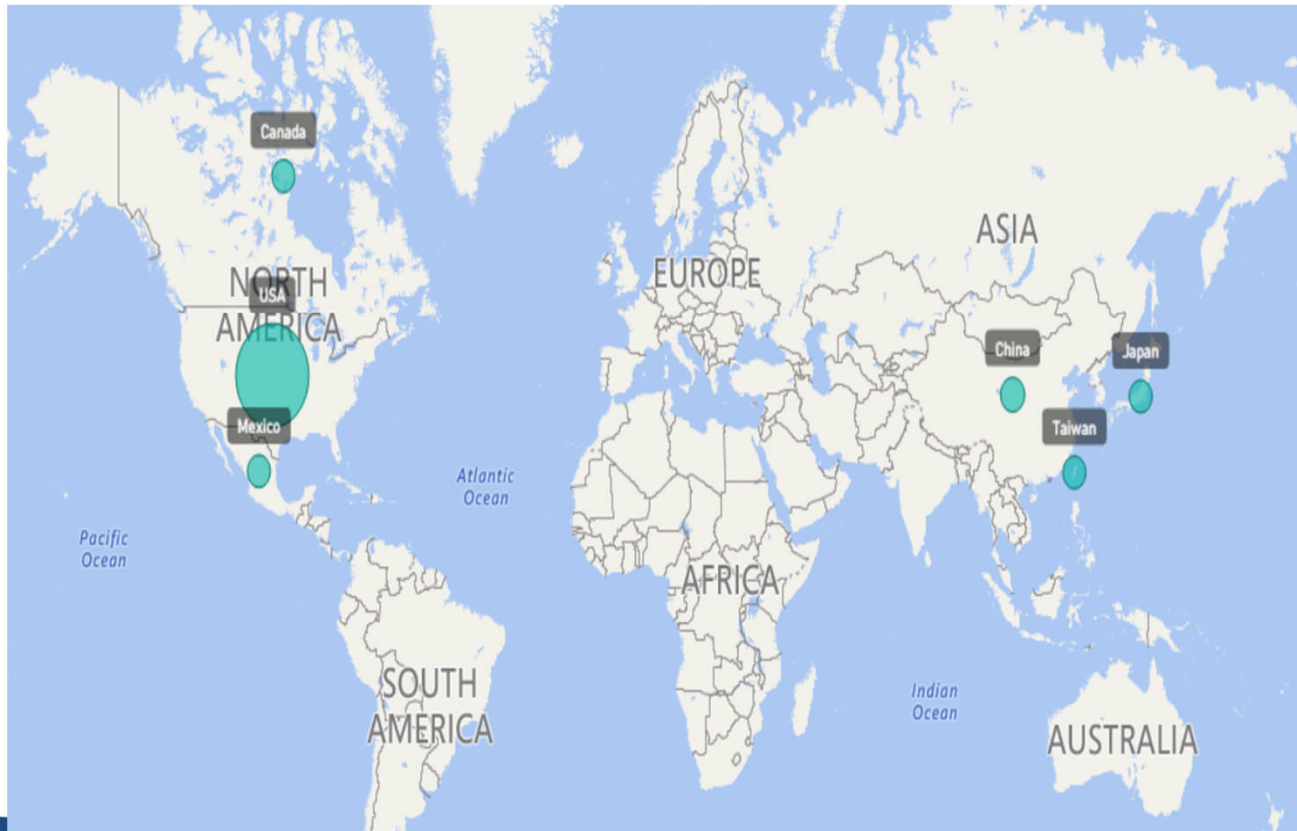


| Type            | Age of Investor |
|-----------------|-----------------|
| Median          | 50              |
| Mean            | 50              |
| 80th Percentile | 60              |
| Max             | 75              |

Q: Was your last investor client a(n):

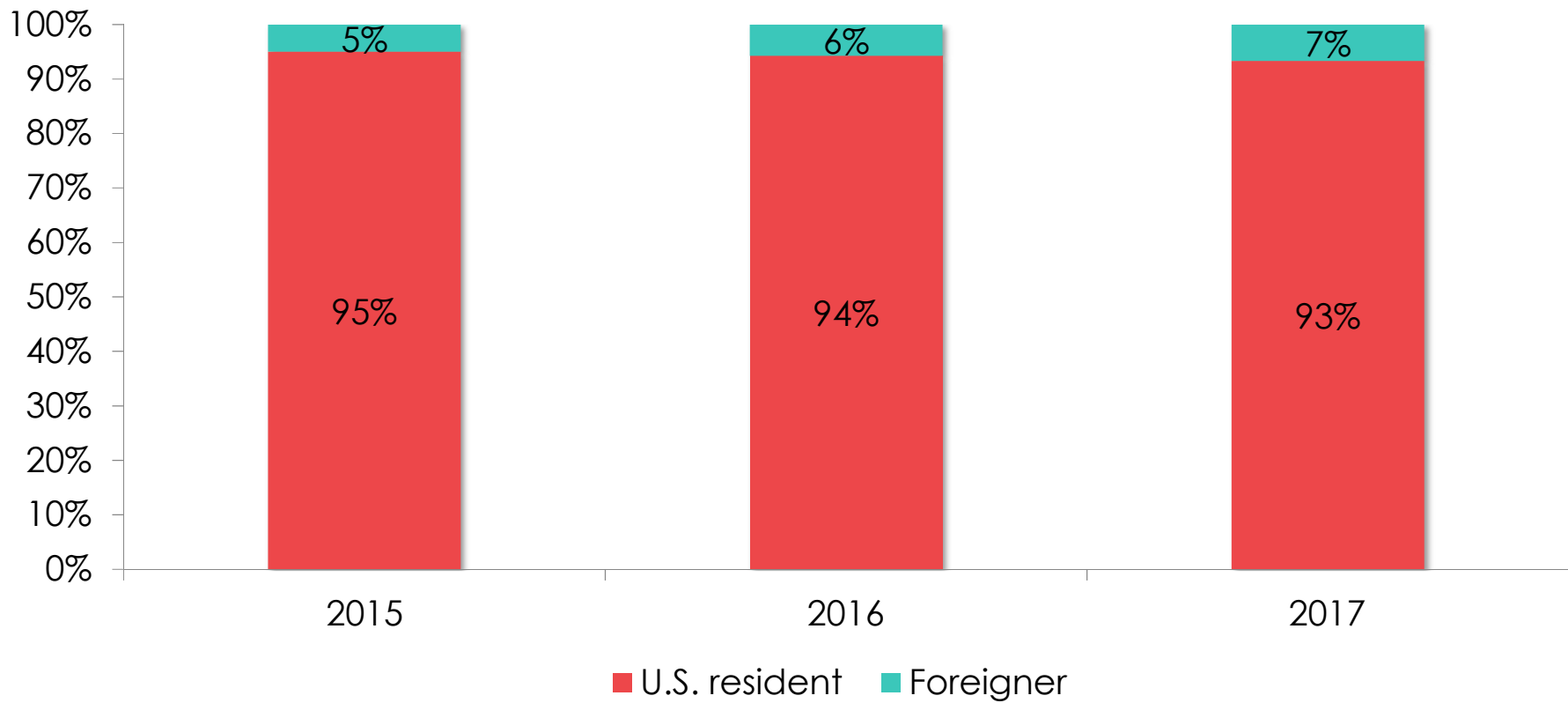


# Foreign investors not swooping everything





# Foreign investors made up slightly more

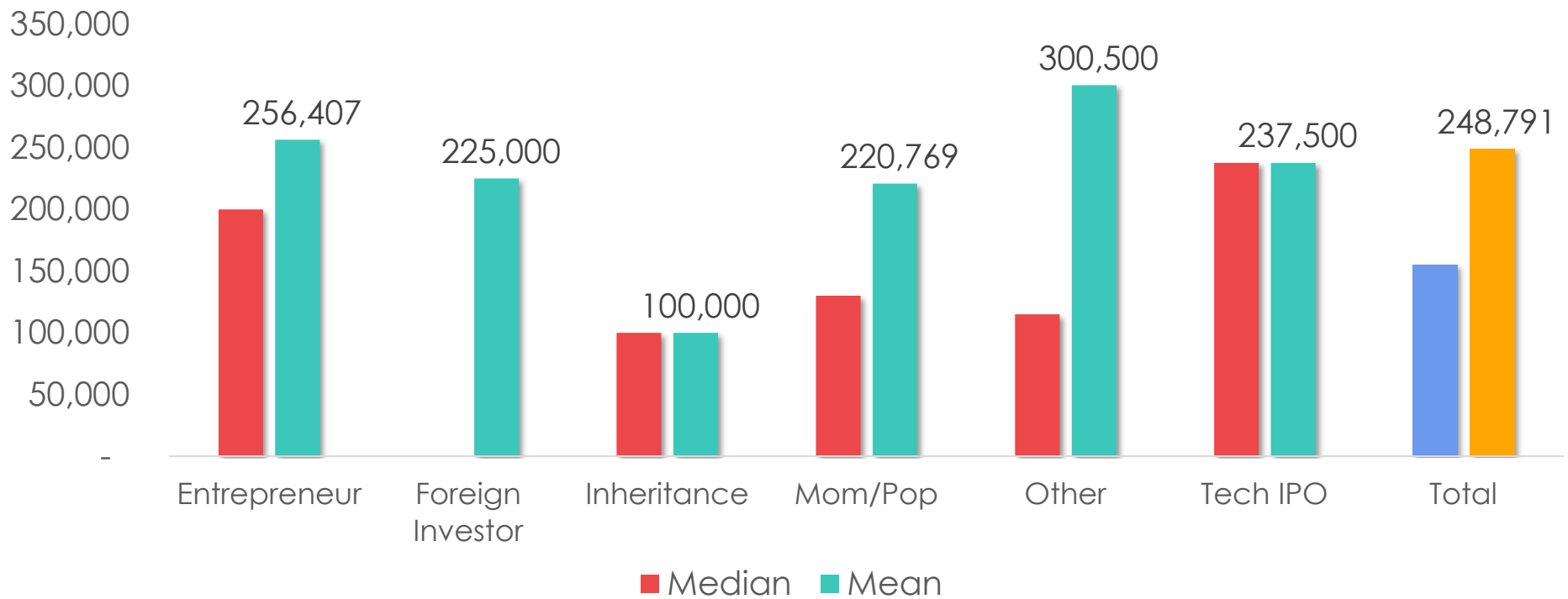


Q: What is your client's country of permanent residence?



# Mostly from the 1%, but not all

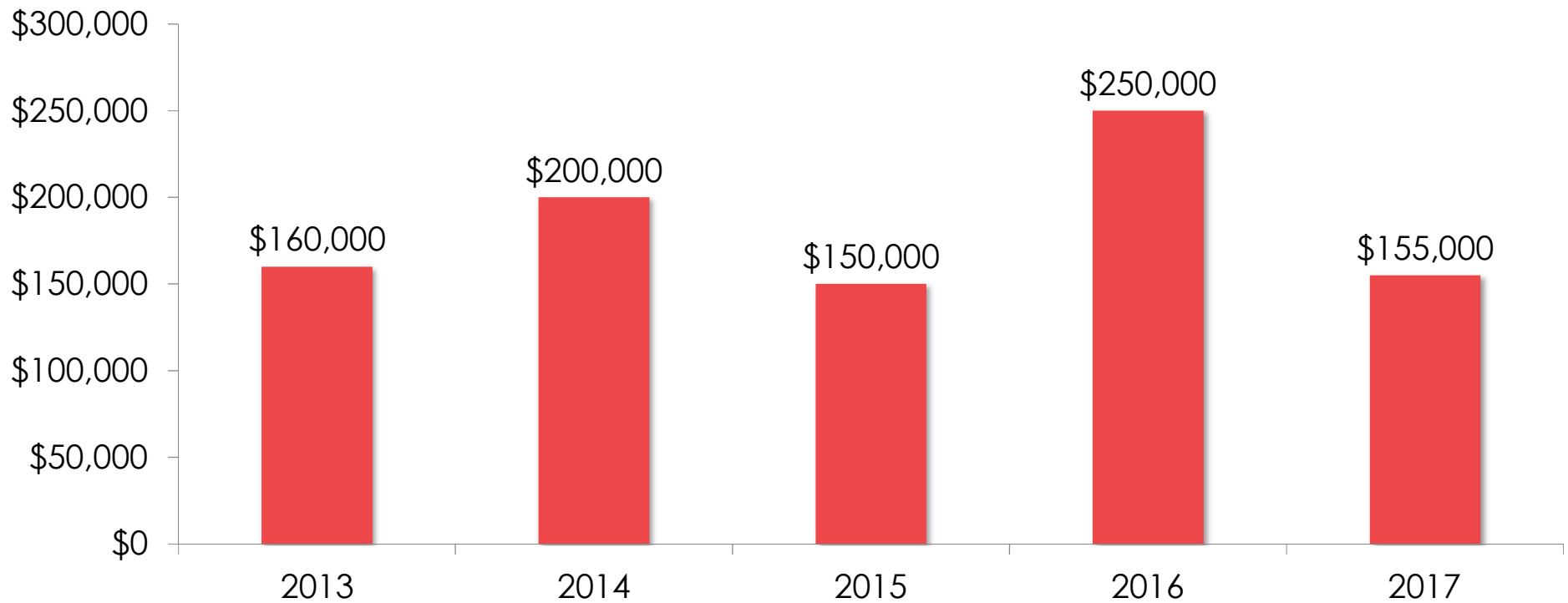
Investor Incomes





# Increase in smaller investors this year

## Median

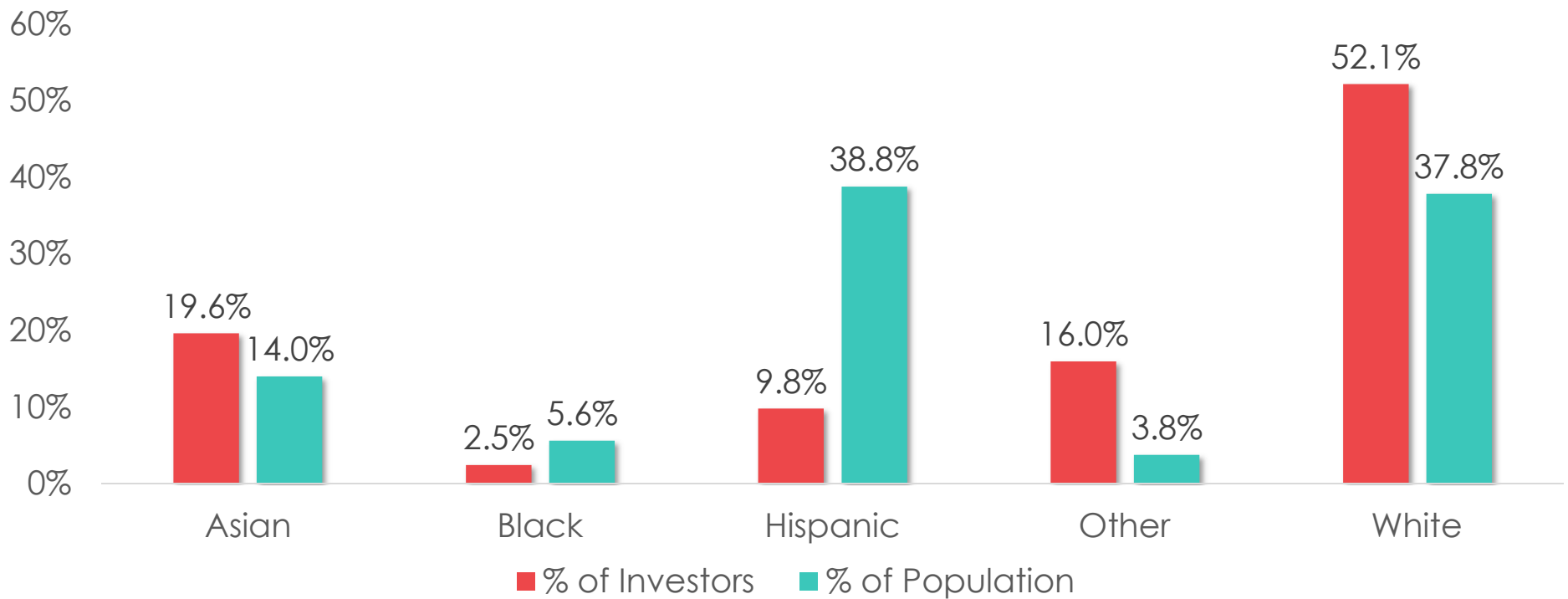


Q: What is your client's annual income/revenue?



# Some groups missing an opportunity

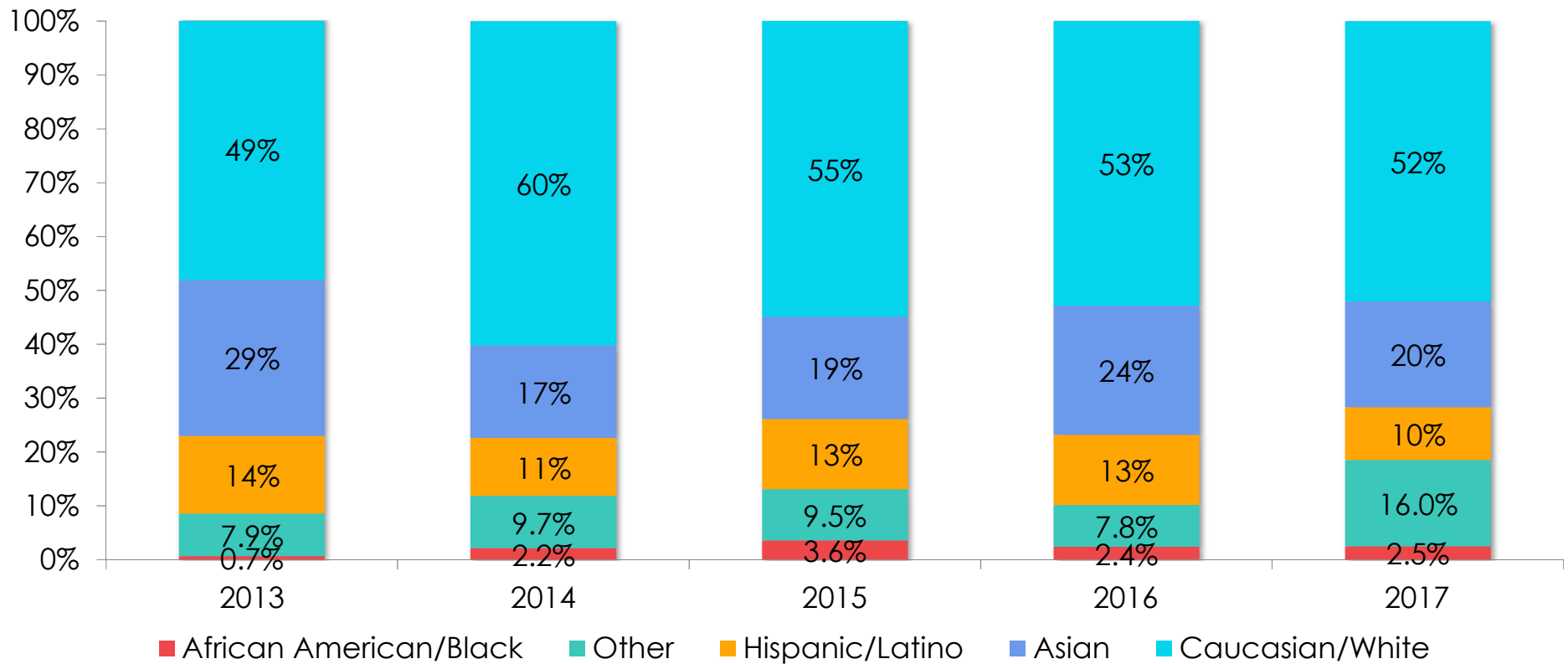
Investors by Race







# Not only not getting better, getting worse

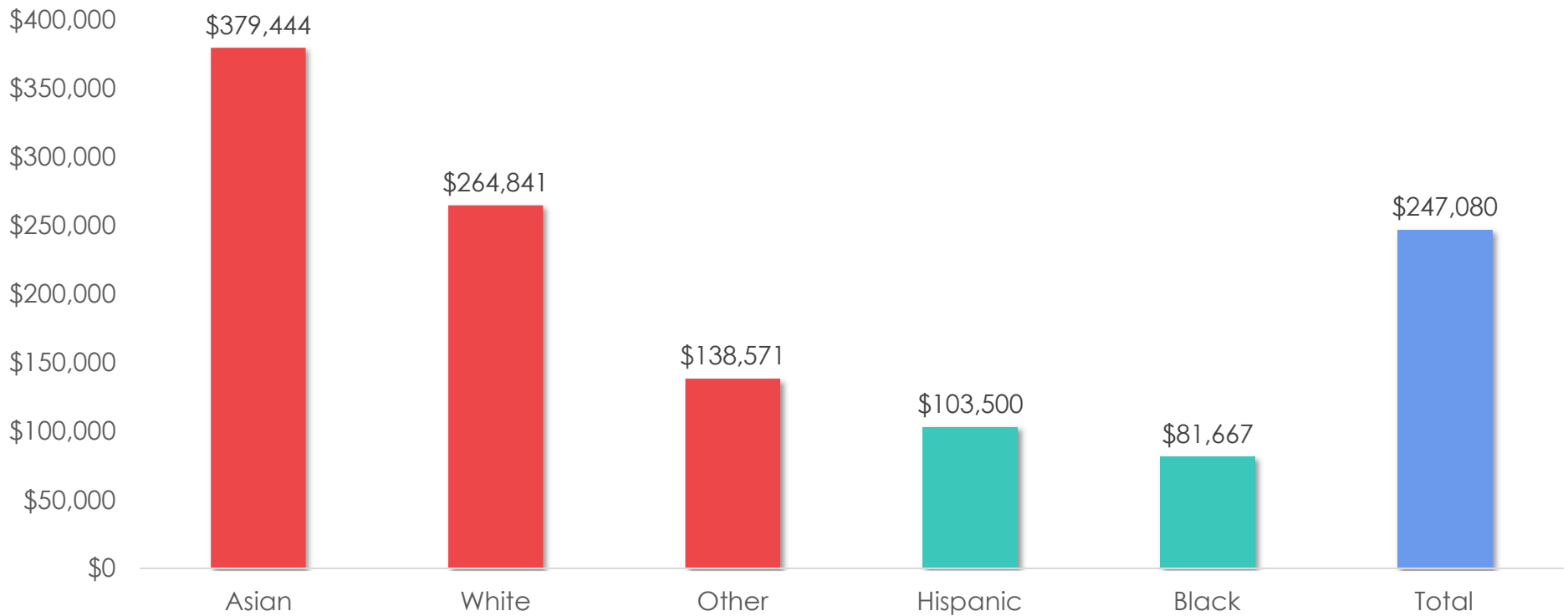


Q: How would you describe your client's ethnic background?



# Maybe opportunity to create investors?

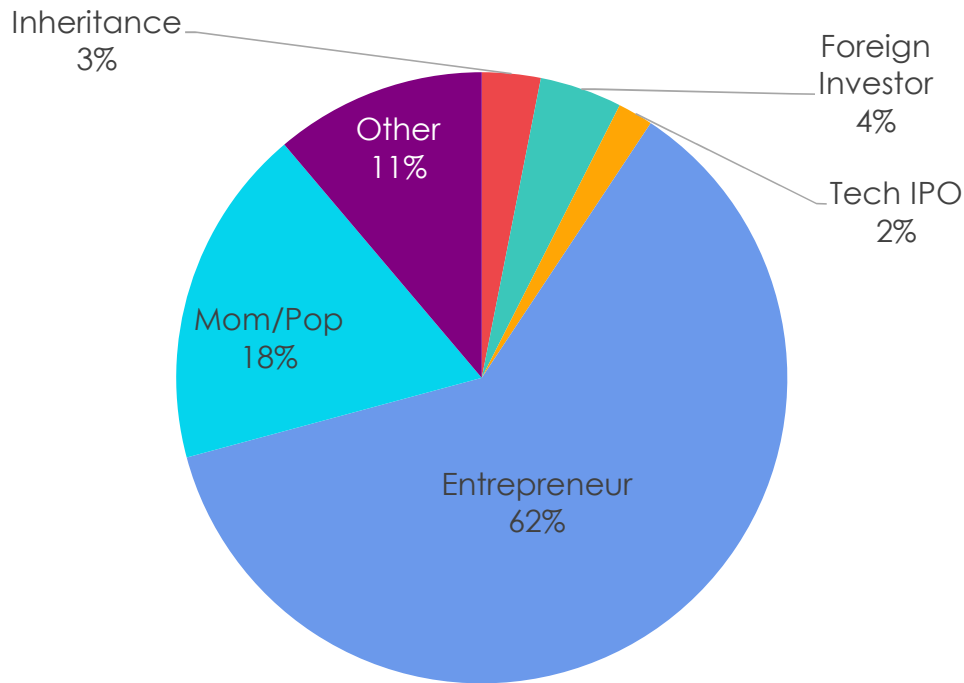
Investor Income by Race



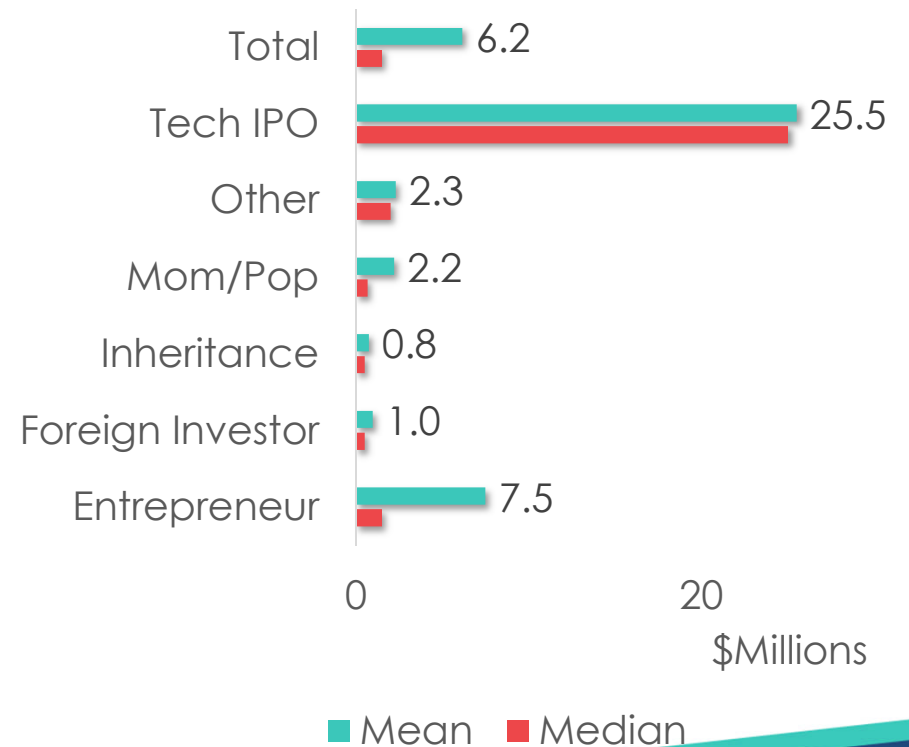


# The Tech IPO still a unicorn, but lucrative!

Client Financial Background



Client Net Worth





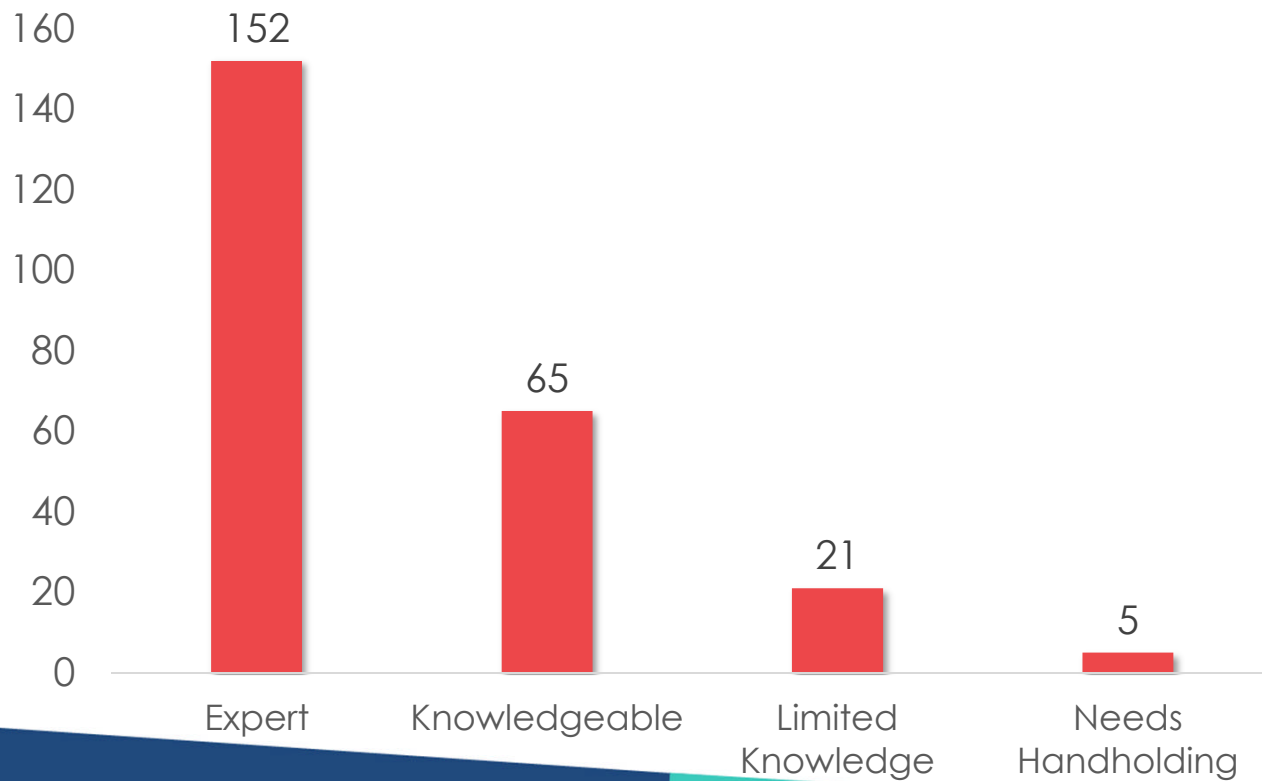
# How Sophisticated Are Investors?

Client Real Estate Background



# Generally, investors are pretty savvy

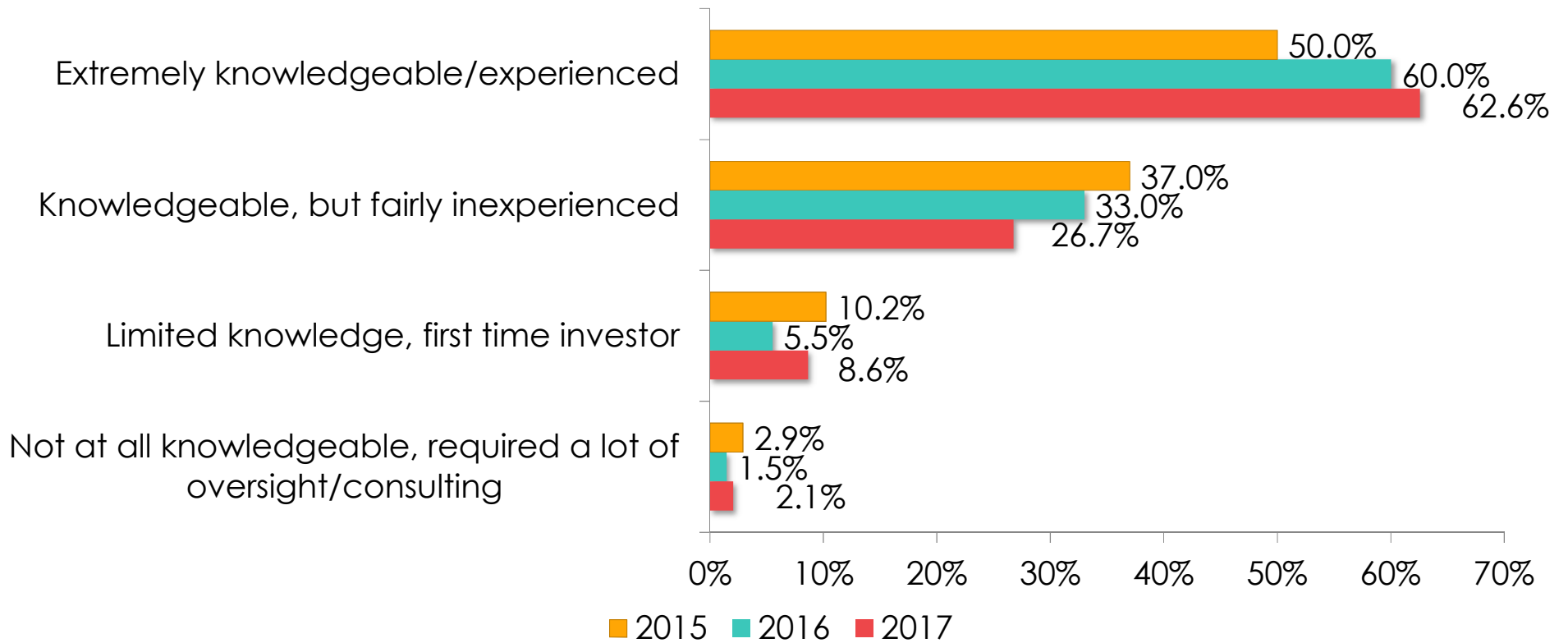
Client Real Estate Knowledge



[This Photo](#) by Unknown Author is licensed under [CC BY-SA](#)



# And getting savvy-er...

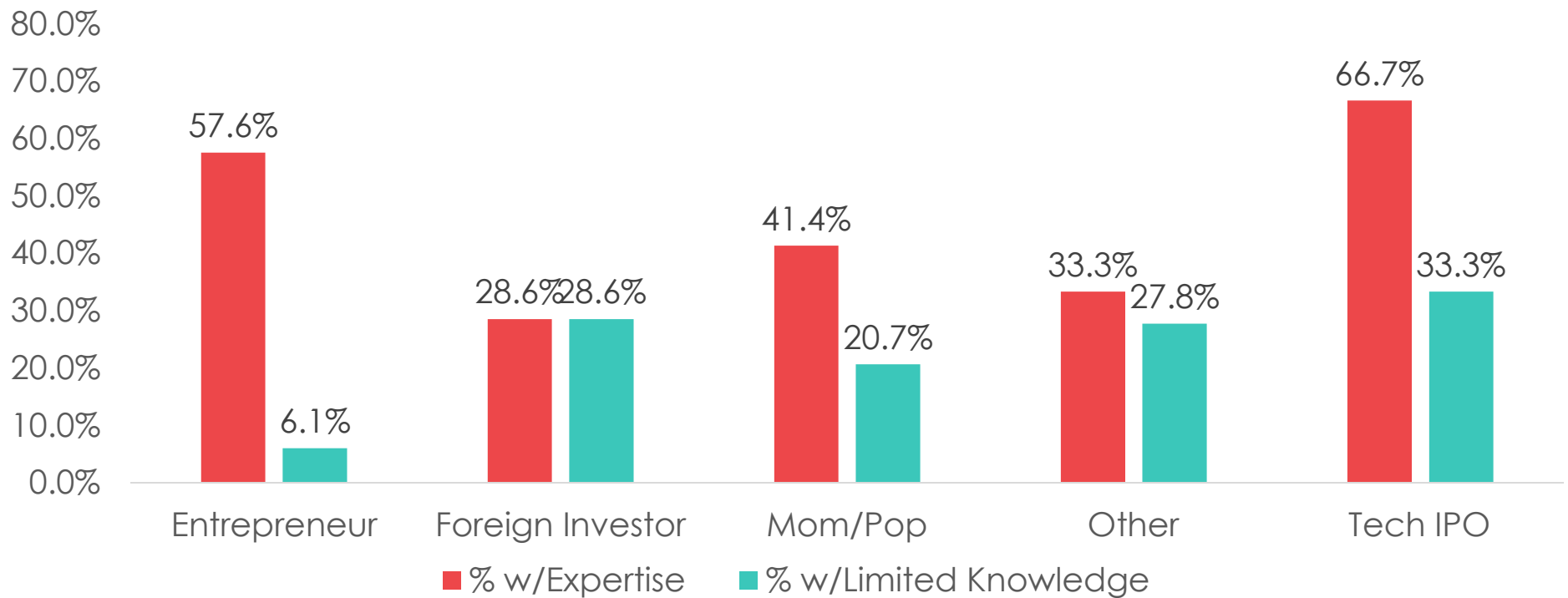


Q: How would you describe your last investor client's real estate market knowledge?



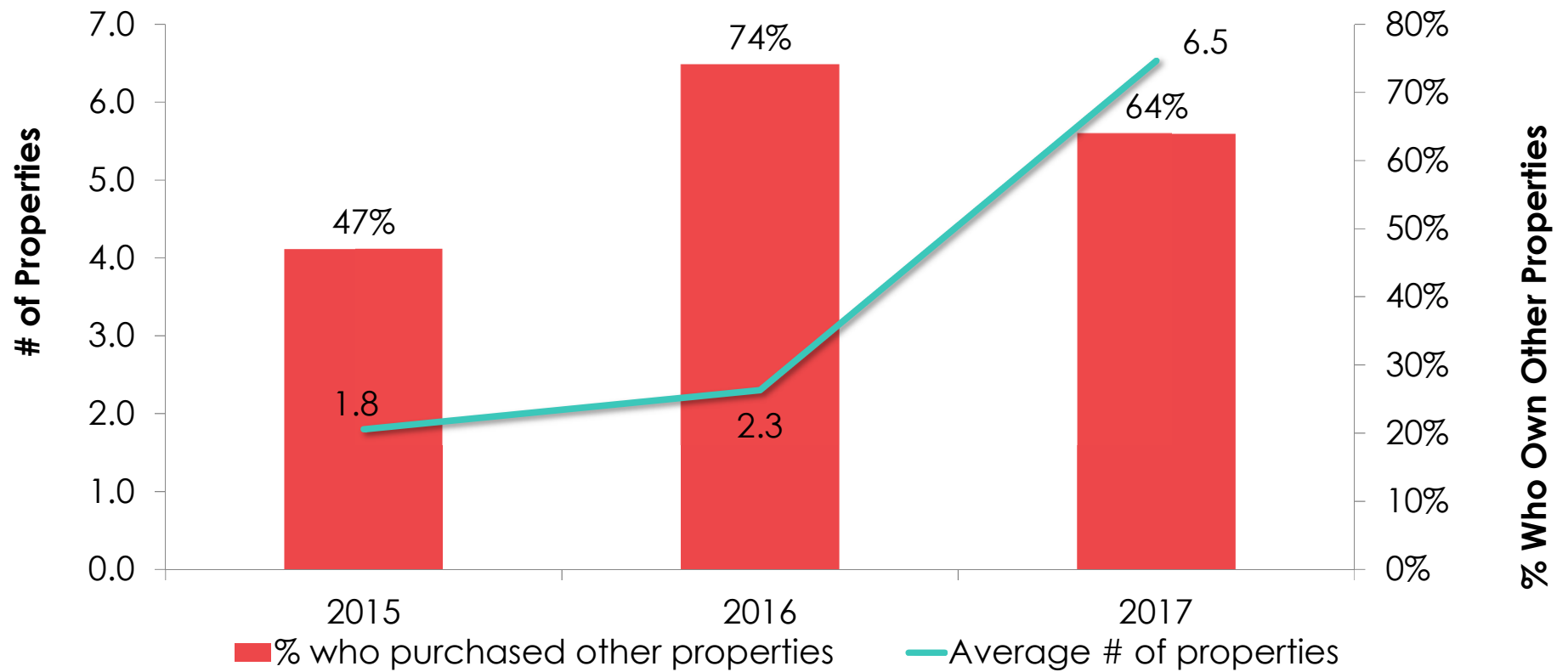
# Some clients need more hand-holding

Client RE Knowledge by Type





# Buying less other properties, but some BIG ones

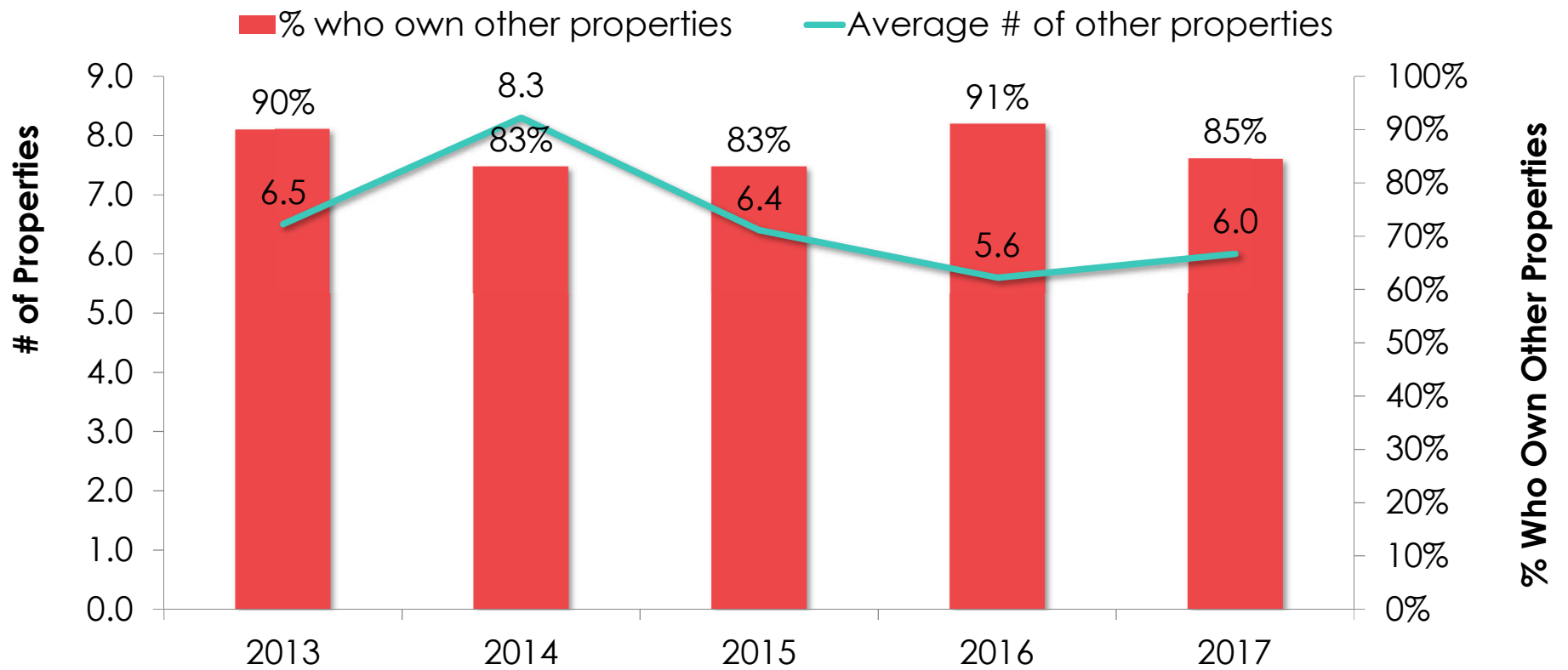


Q: How many other properties did your last investor client purchase within the past 12 months?





# 2017 Investors: Not my first rodeo

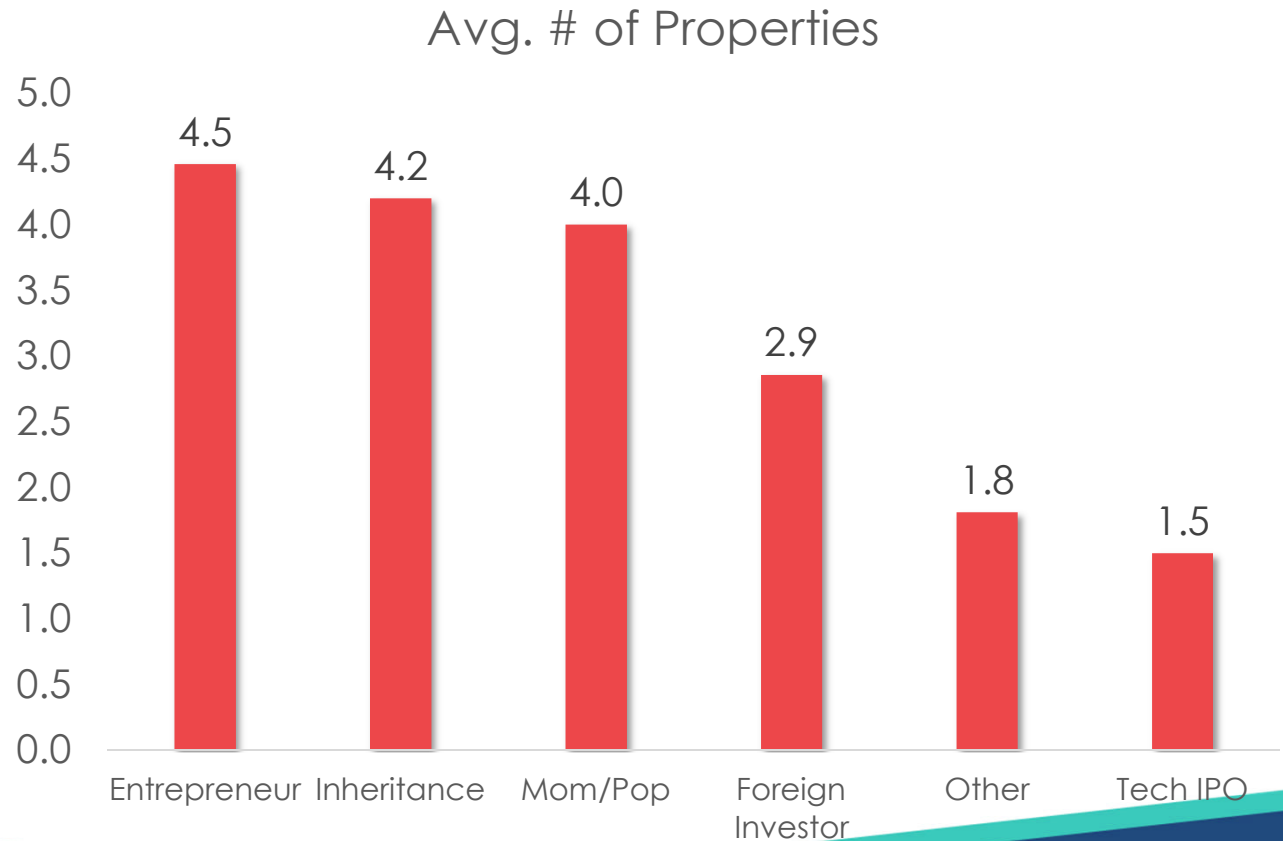


Q: How many other investment properties does your client own?

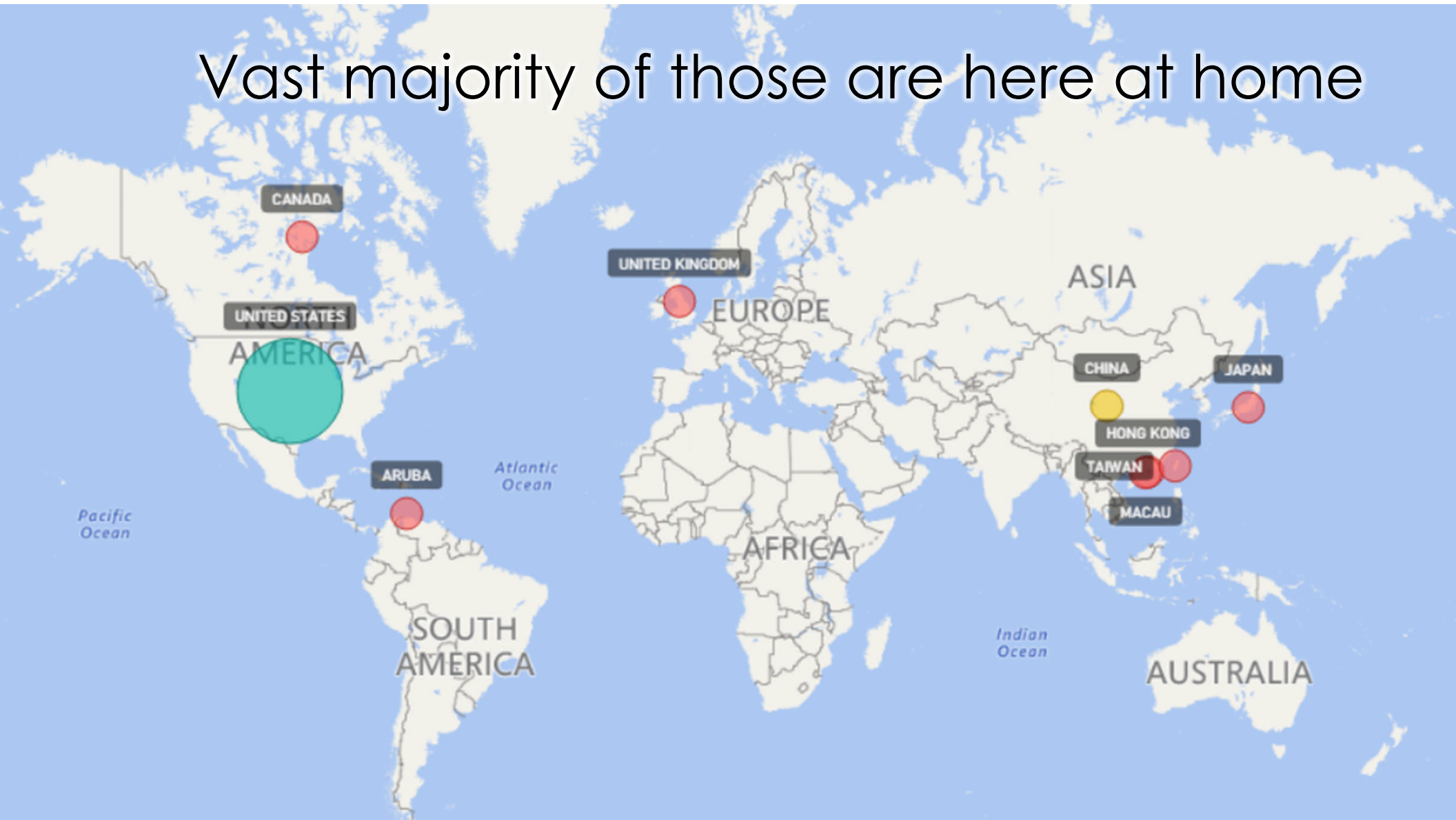


# Most own other investment properties

| Type                            | # of Properties |
|---------------------------------|-----------------|
| Median                          | 3               |
| Mean*                           | 6               |
| <small>* Excludes 1,900</small> |                 |
| Max                             | 1,900           |



Vast majority of those are here at home



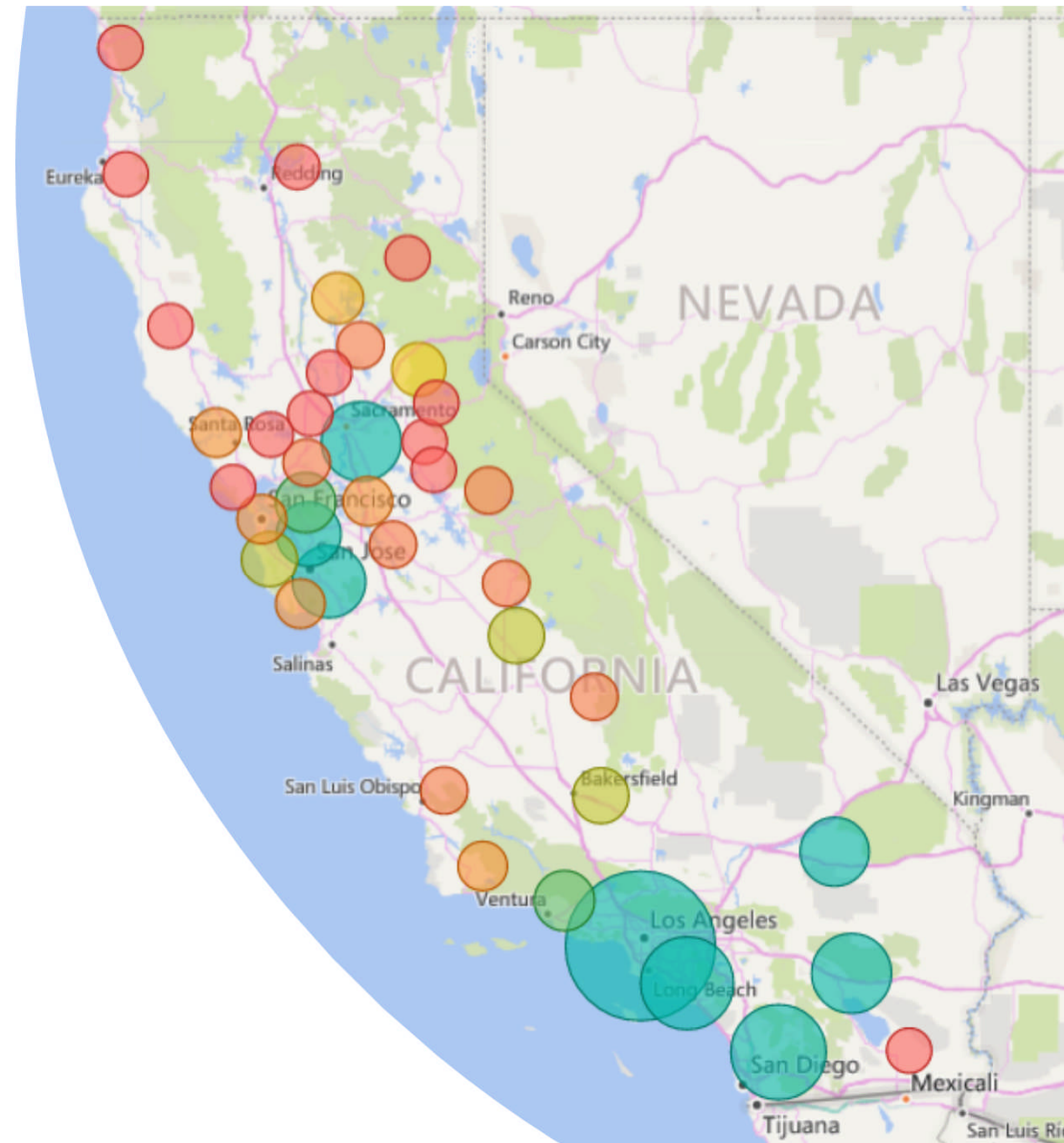
More specifically, here in CA



...mostly in “core”

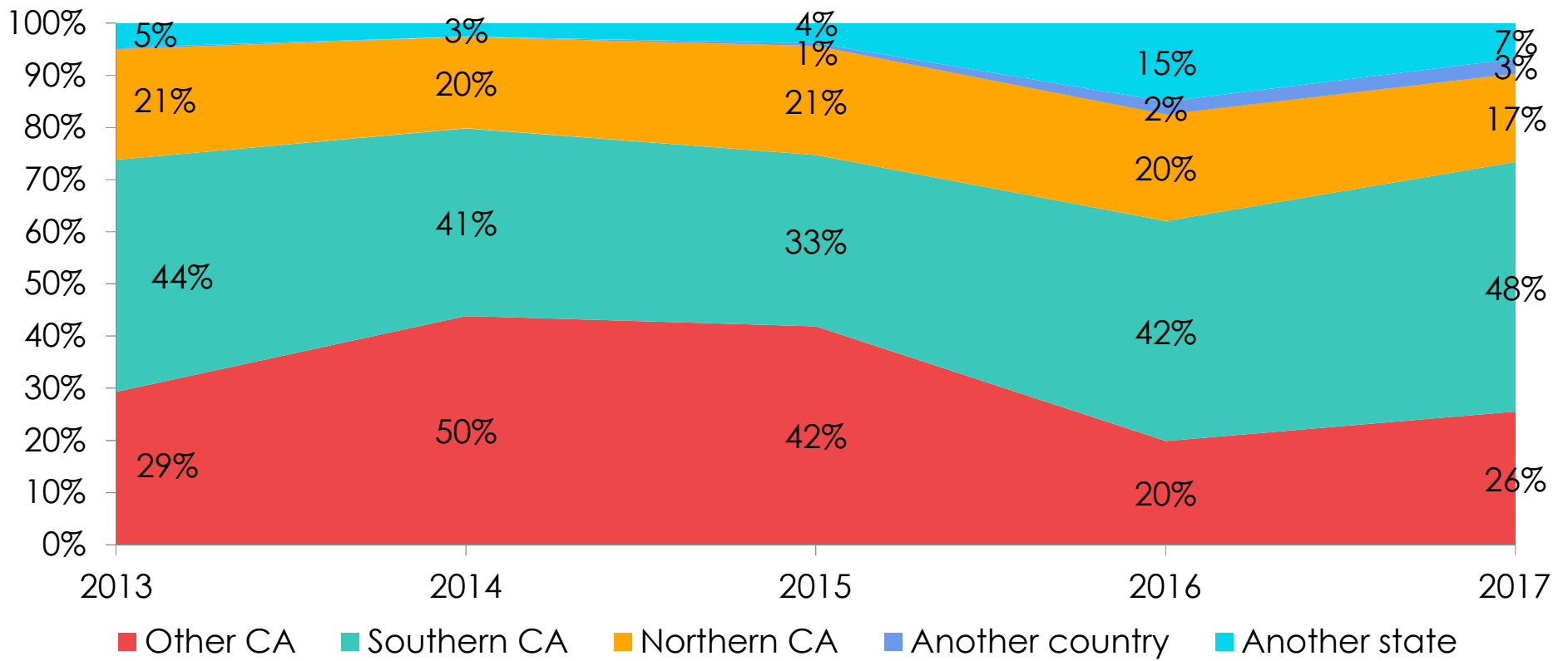
---

- **Some action along resort areas**
  - Tahoe
  - Central Coast
- **Bulk own in 3 distinct “Cores”**
- **Southern California metro**
  - Coastal as well as Inland Empire
  - Becoming 1 mega-region?
- **Core Bay Area**
  - Not much in Sonoma, Solano, Napa
  - East Bay particularly popular
- **Sacramento**





# SoCal investments on the rise... more "deals"



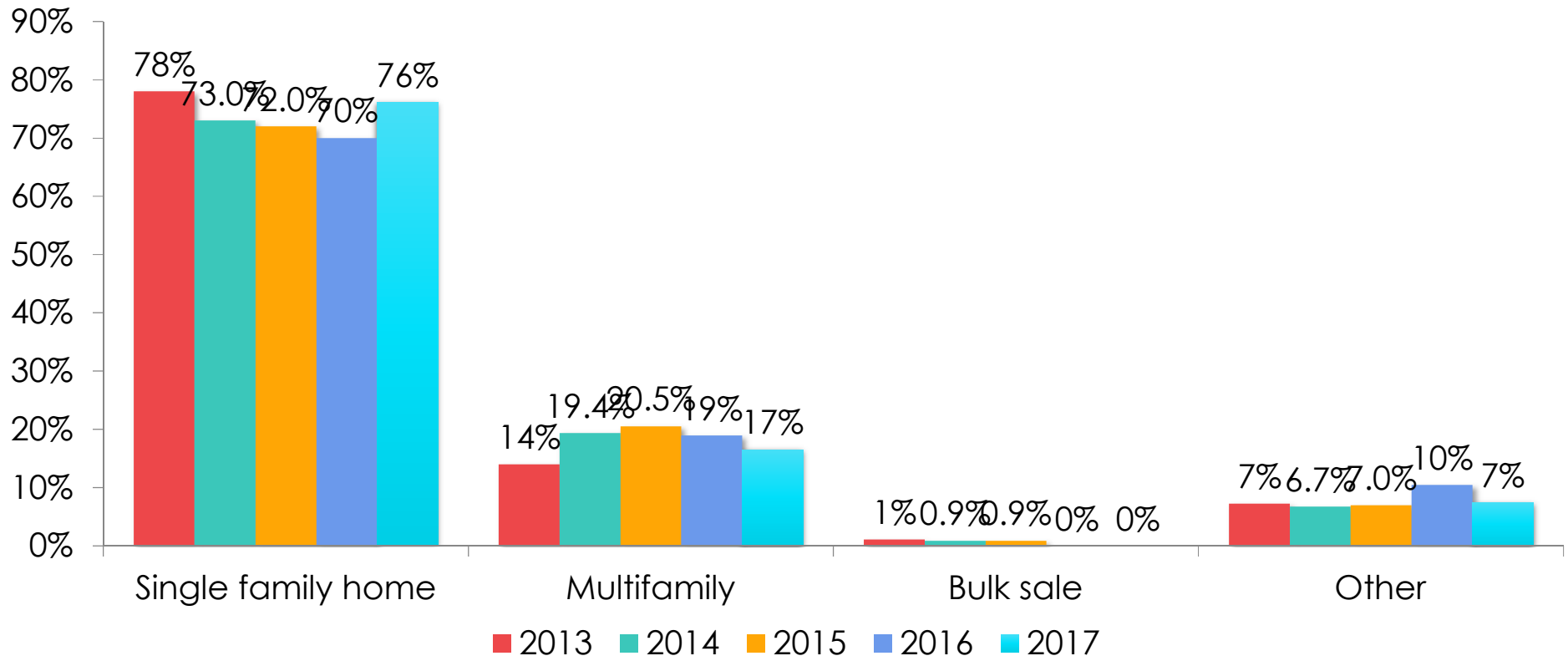
Q: Where are those properties located?



What Are  
Investors Buying?



# Single family purchases pop back up



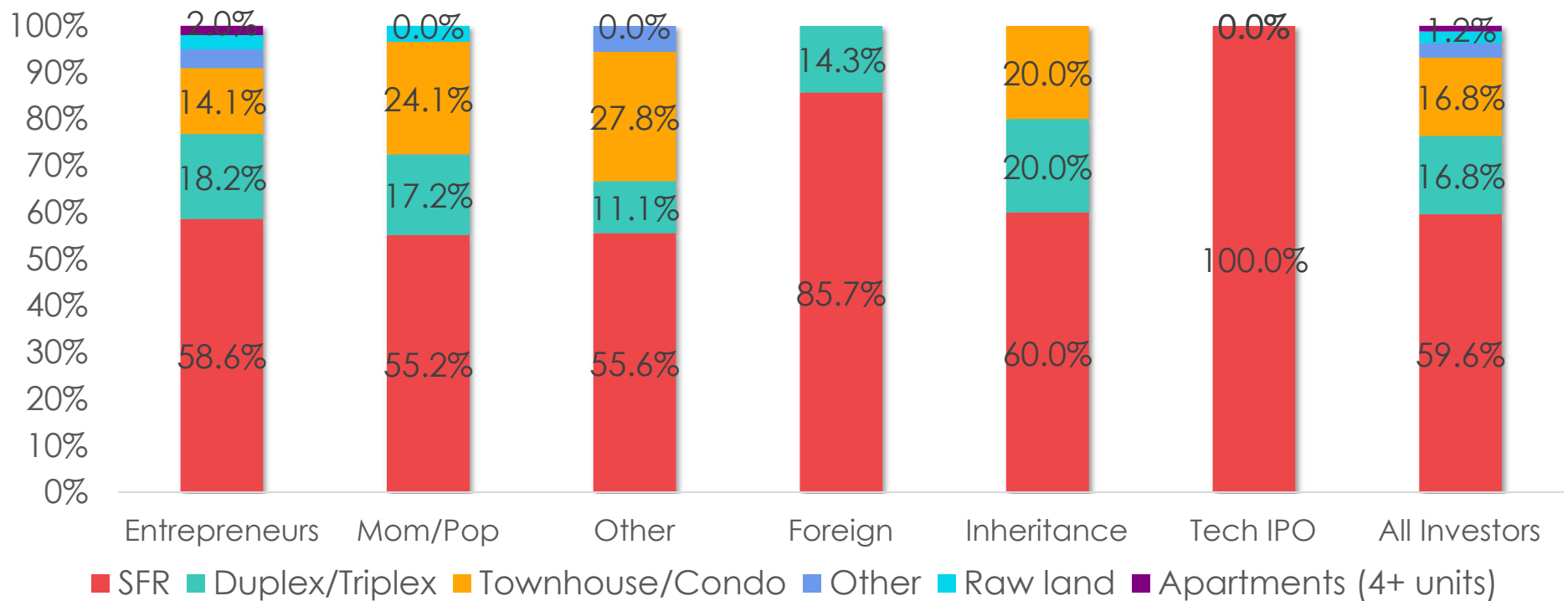
Q: What type of property did your investor client purchase?





# Some have more appetite for other types

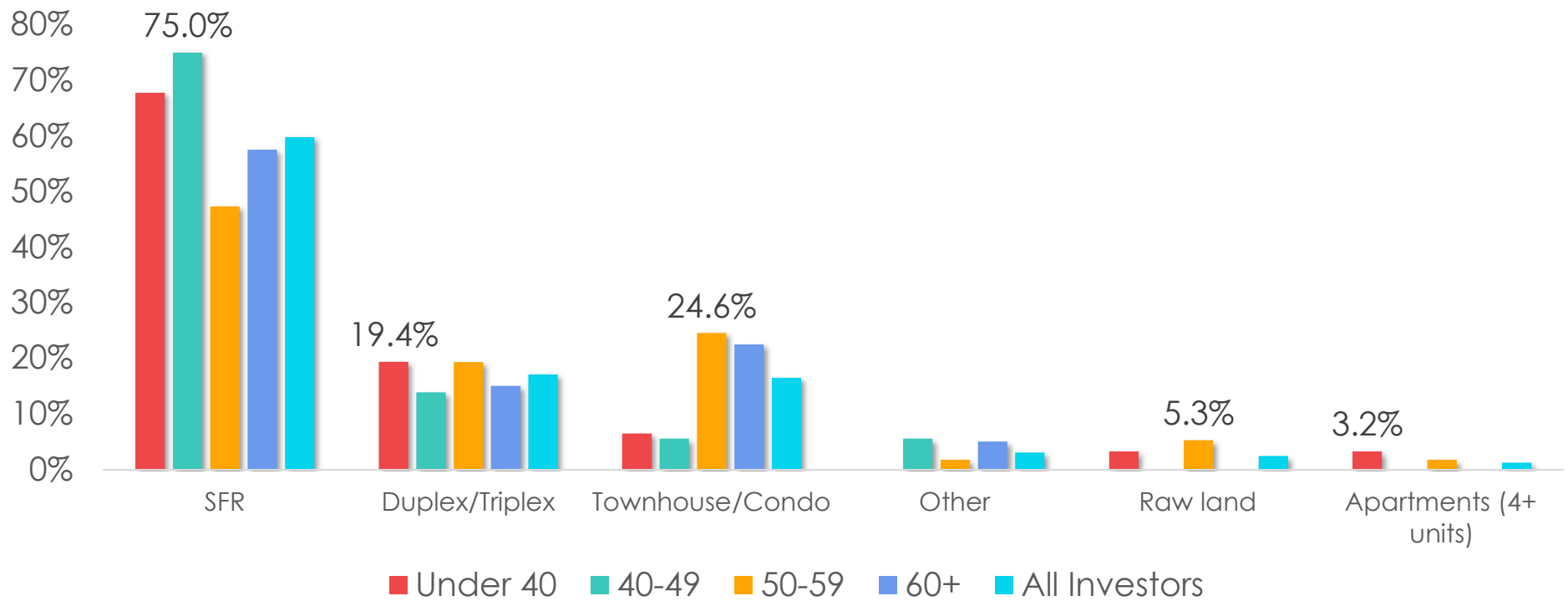
Property Type by Type of Investor





# Older investors willing to dabble more

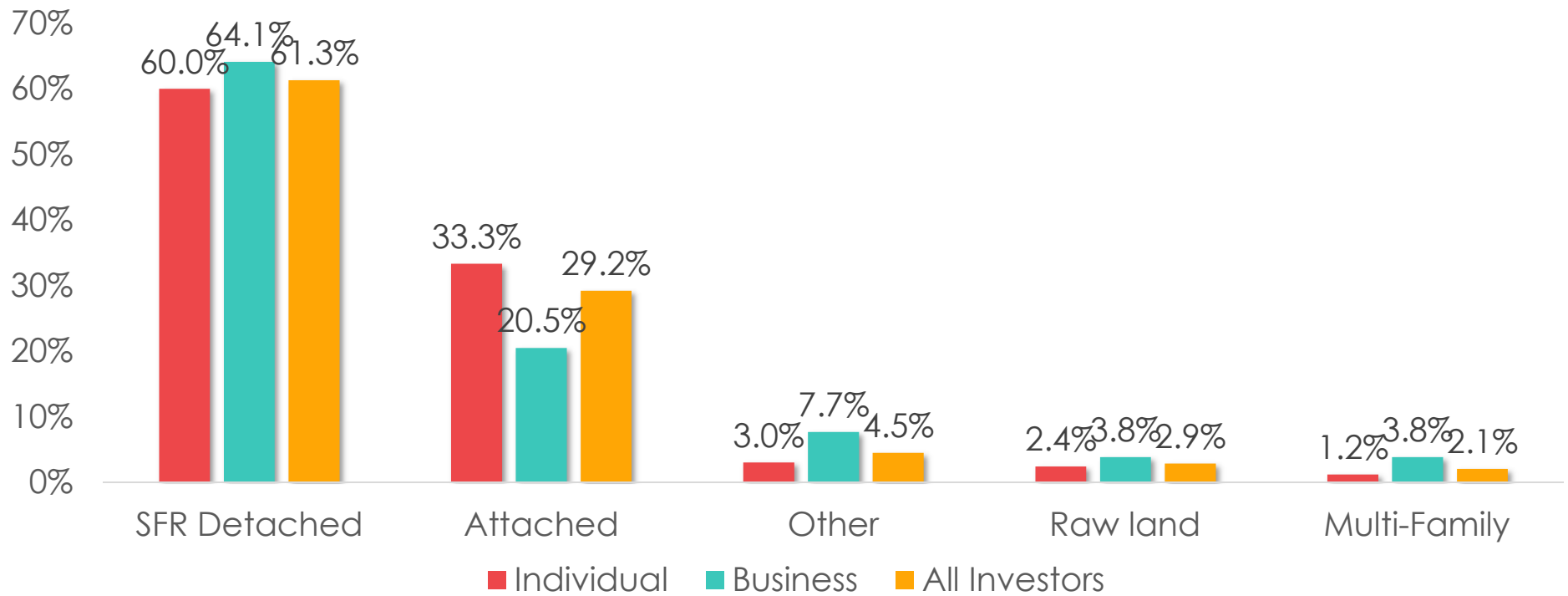
Property Type by Age of Investor





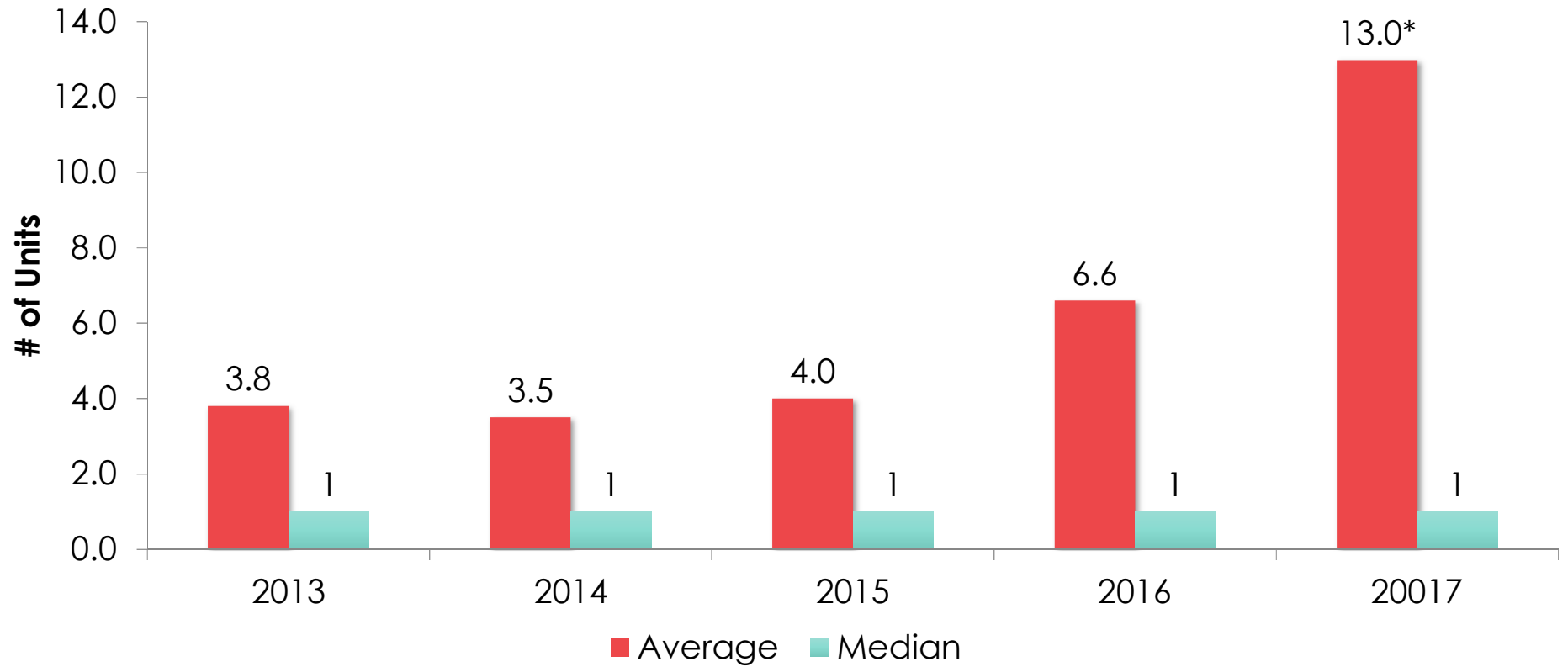
# Businesses shy from attached homes

Type of Property by Investor Category





# Several large multi-unit purchases this year



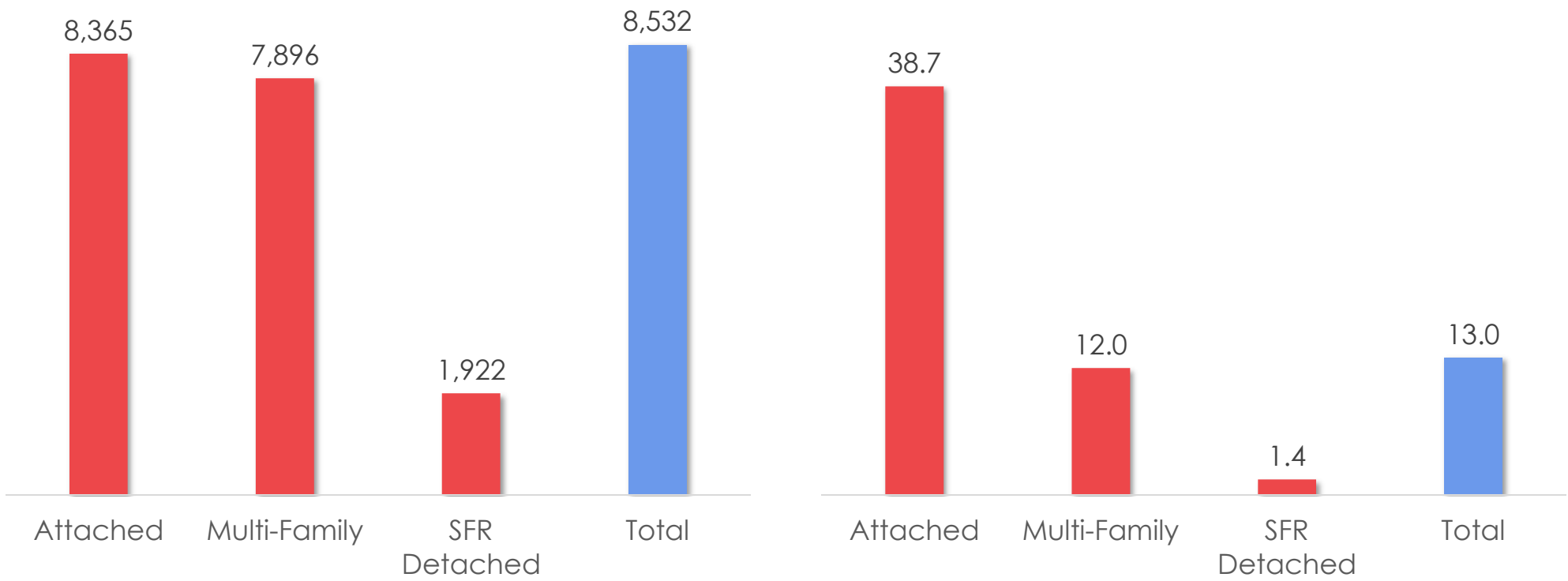
Q: How many units did the property have in your last investor transaction?



# In general, family homes or smaller MFRs

Avg. Sq. Ft.

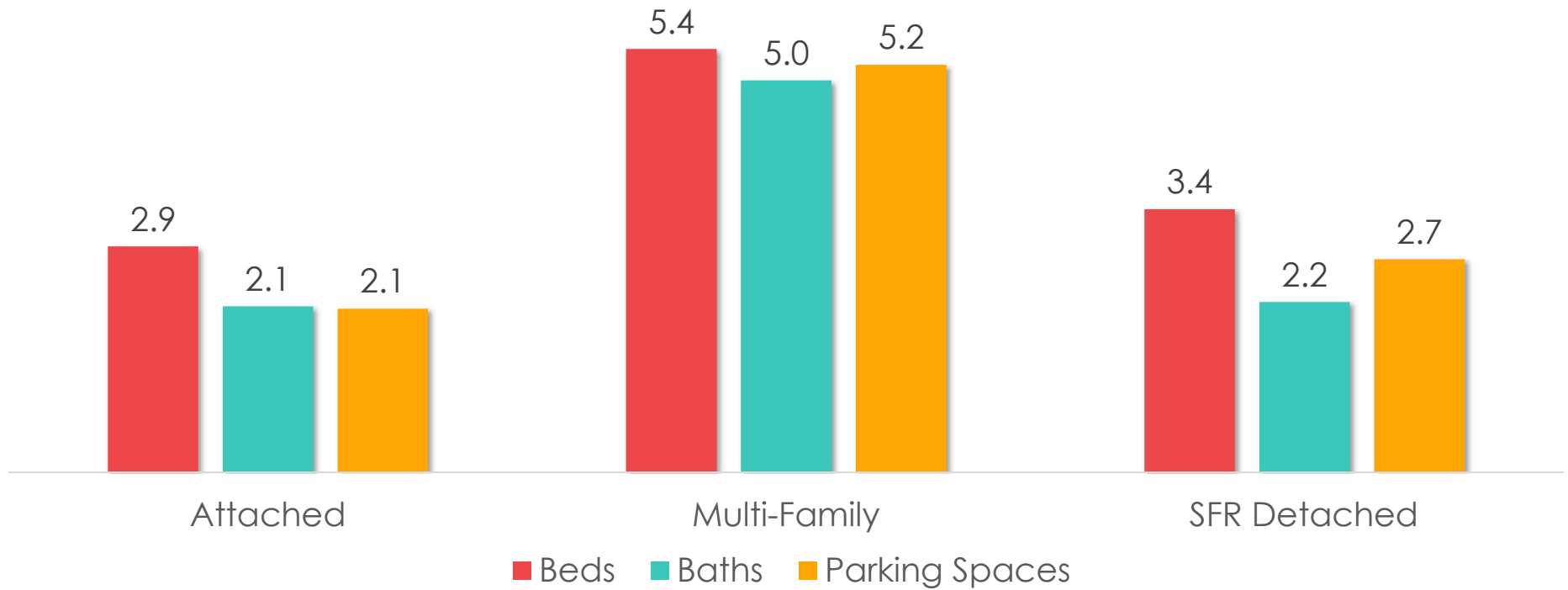
Avg. Units





# SFR detached is about young families

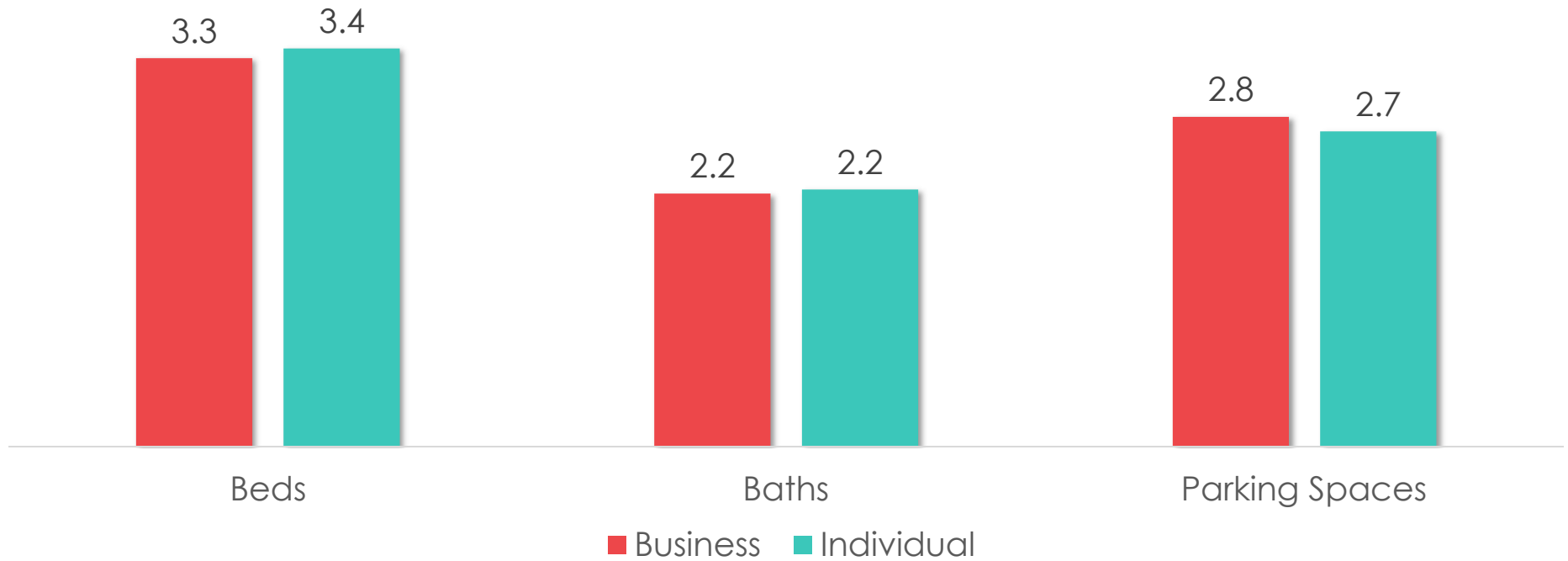
Property Characteristics





# Businesses drawn to same units as people

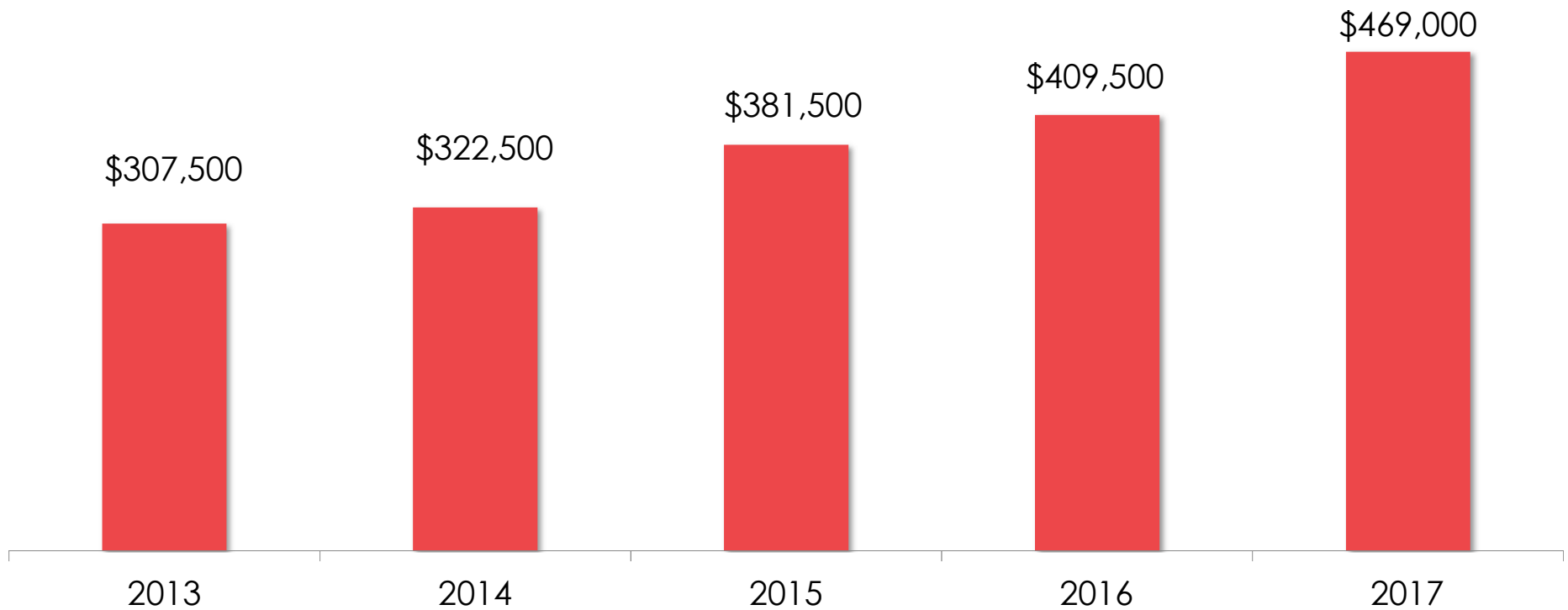
Avg. SFR Property Characteristics by Type of Investor





# Buying higher-end units? Up 2X from market

**Median List Price**



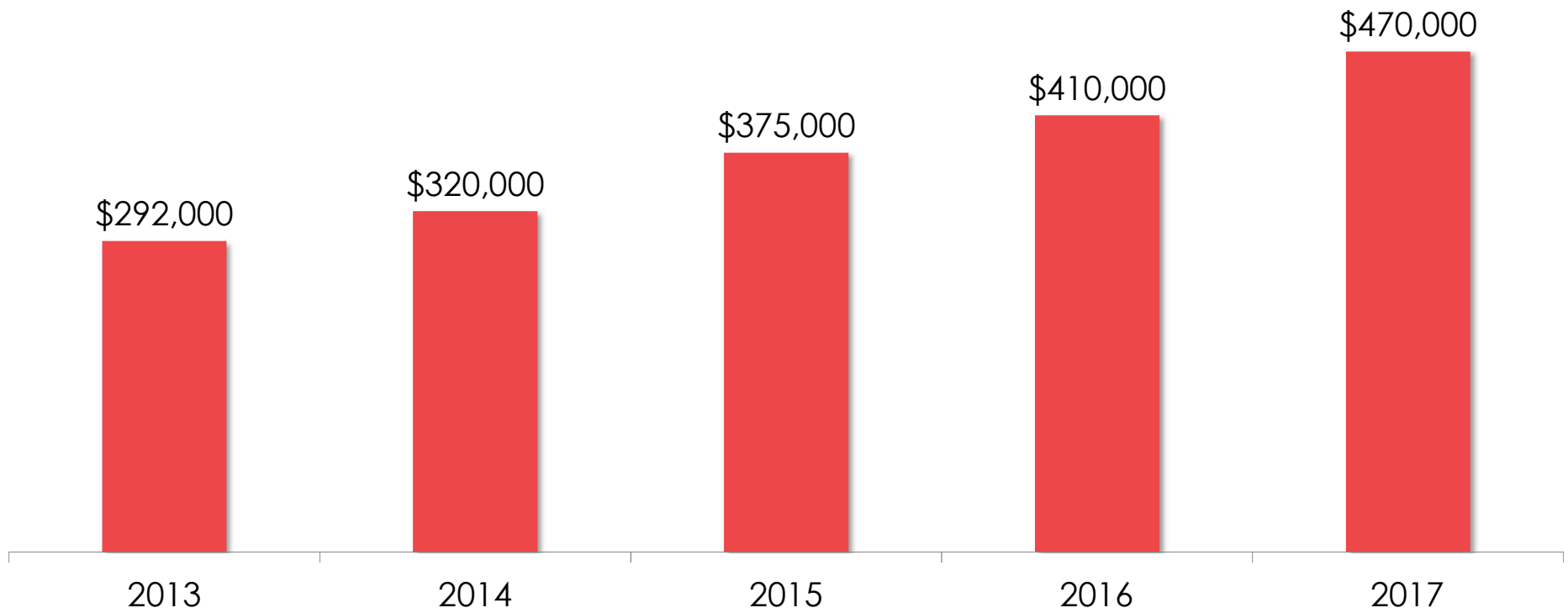
Q: What was the initial listing price?





# Similar growth in closed prices

## Median Sale Price

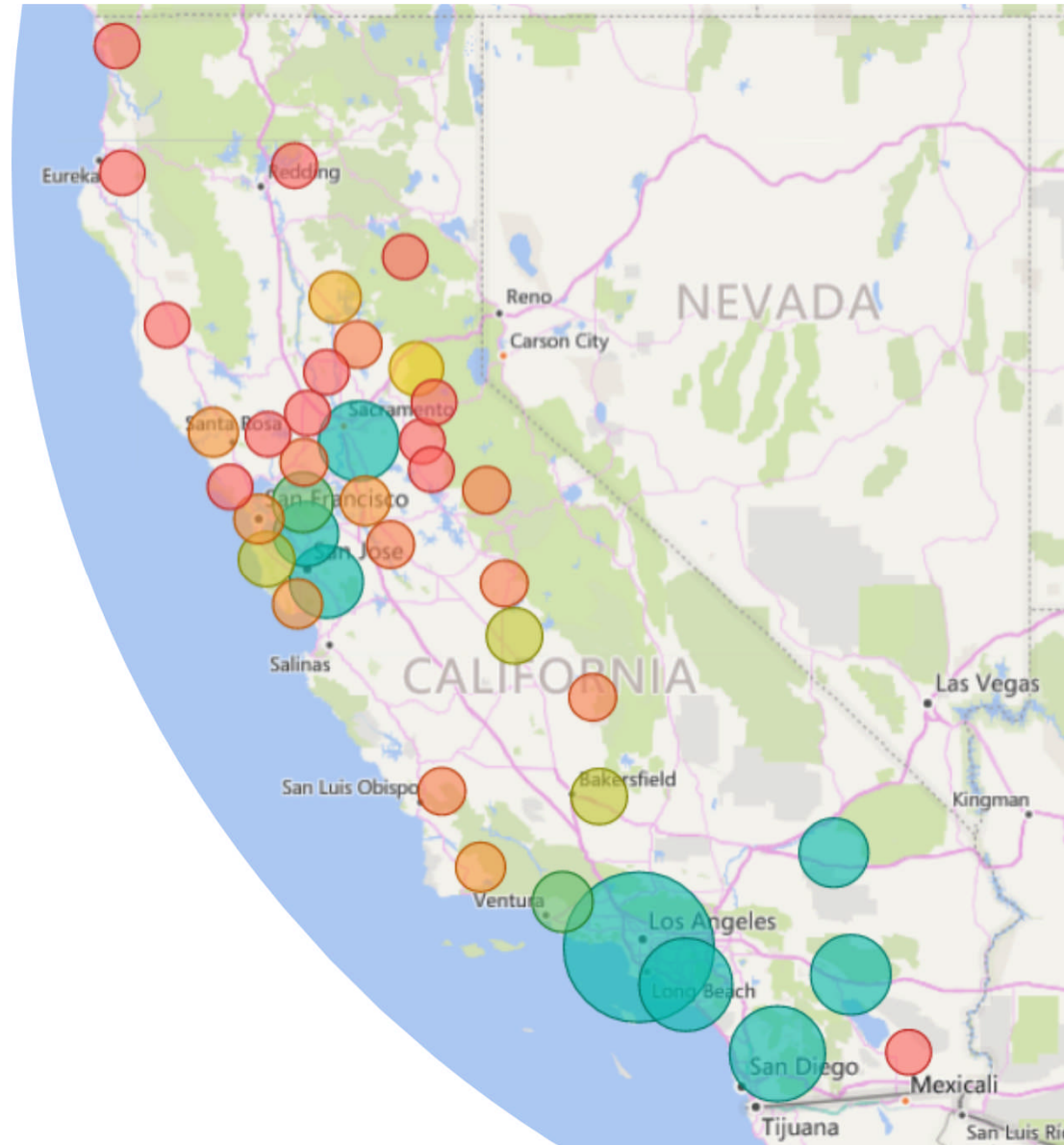


Q: What was the final sale price?

# “Core” draws ‘em

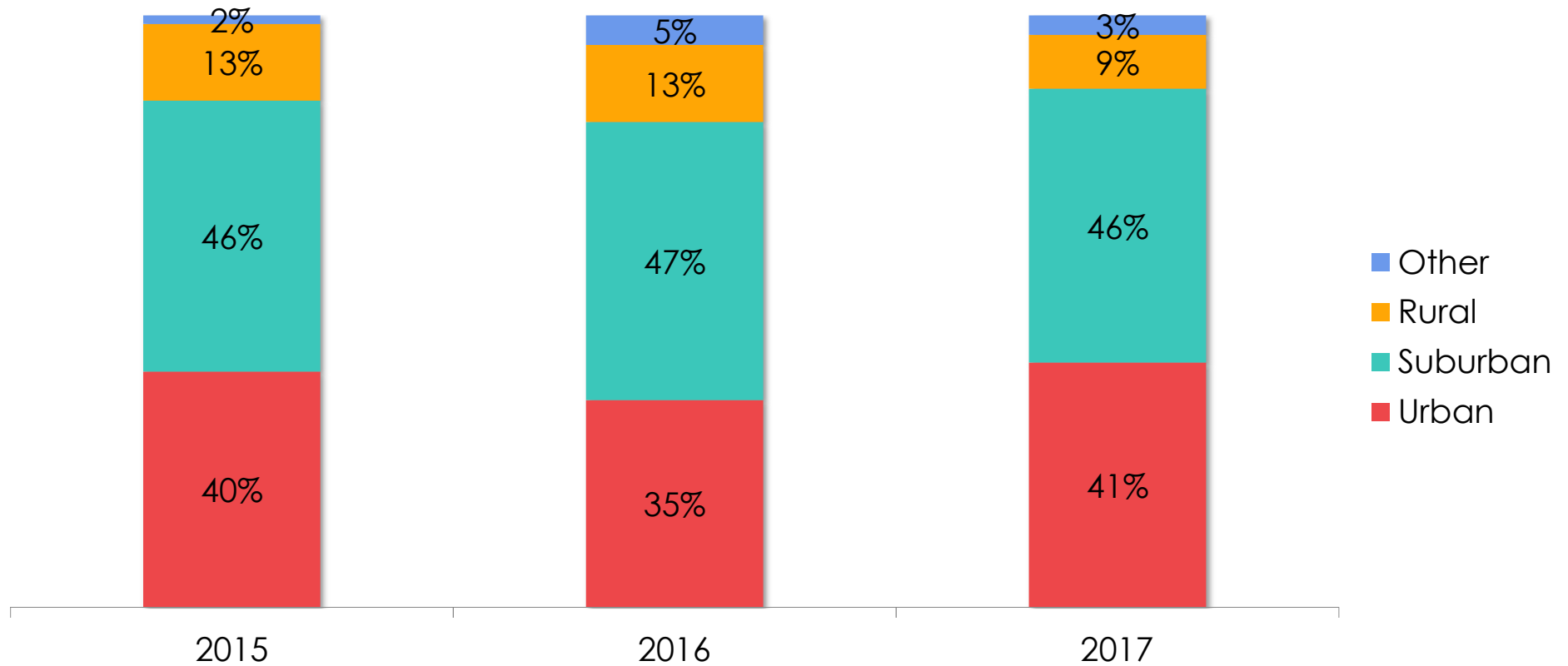
---

- **Some action along resort areas**
  - Tahoe
  - Central Coast
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  - Coastal as well as Inland Empire
  - Becoming 1 mega-region?
- **Core Bay Area**
  - Not much in Sonoma, Solano, Napa
  - East Bay particularly popular
- **Sacramento**





# The importance of jobs: cities on the rise

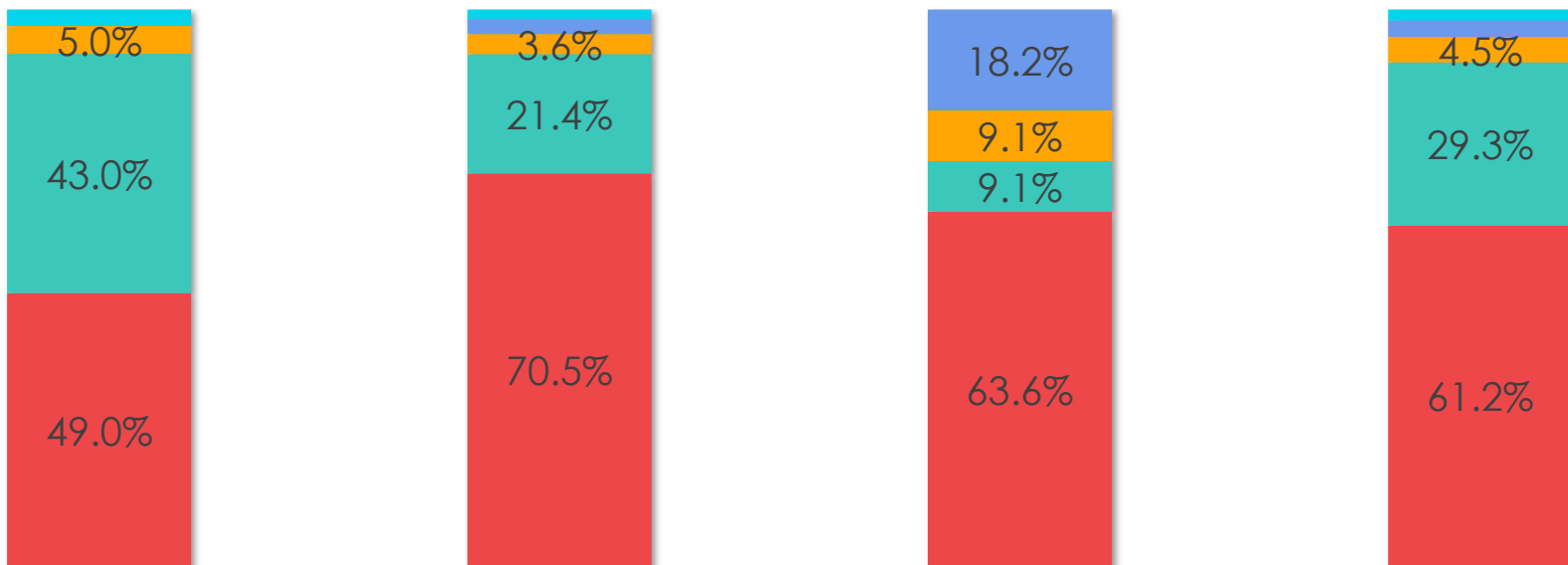


Q: How would you describe the location of the property purchased?



# What you buy depends on where investing

Type of Home by Type of Geography



Urban

Suburban

Rural

Total

■ SFR Detached ■ Attached ■ Other ■ Raw land ■ Multi-Family

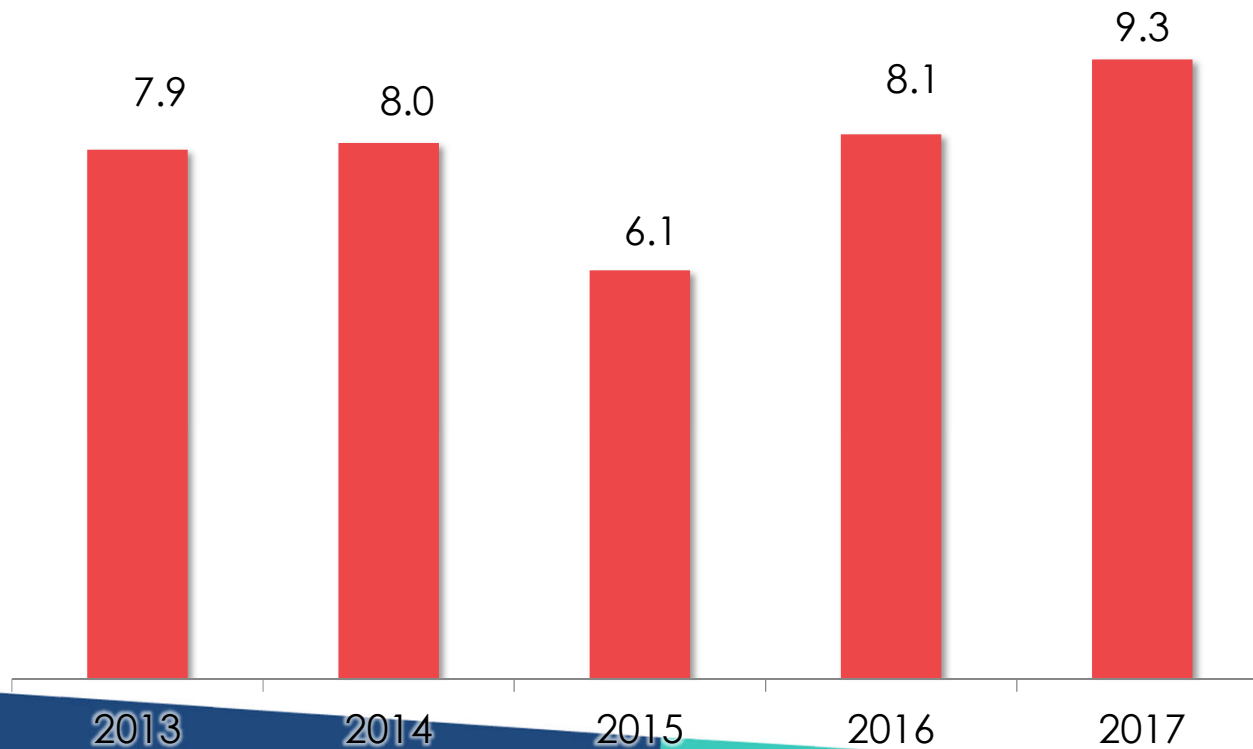


Why Are They Buying?

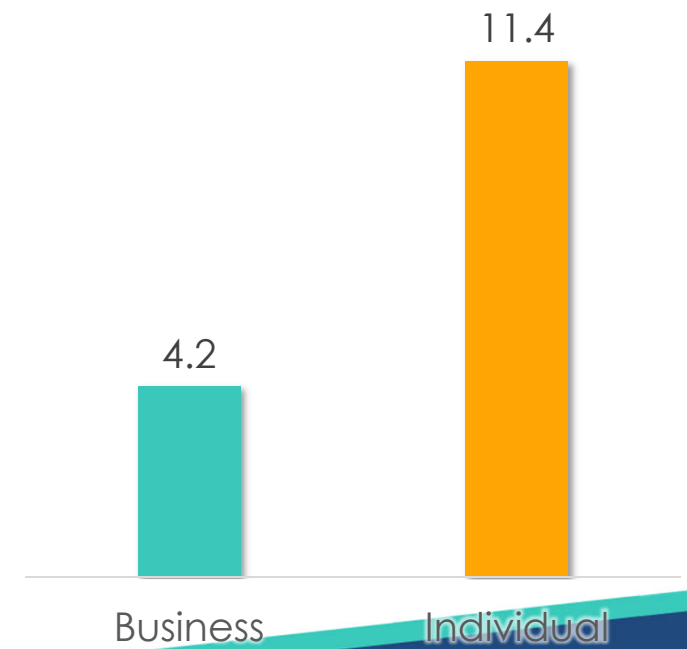


# Boomers?? Won't move or sell investments

## Years Expected to Hold Property



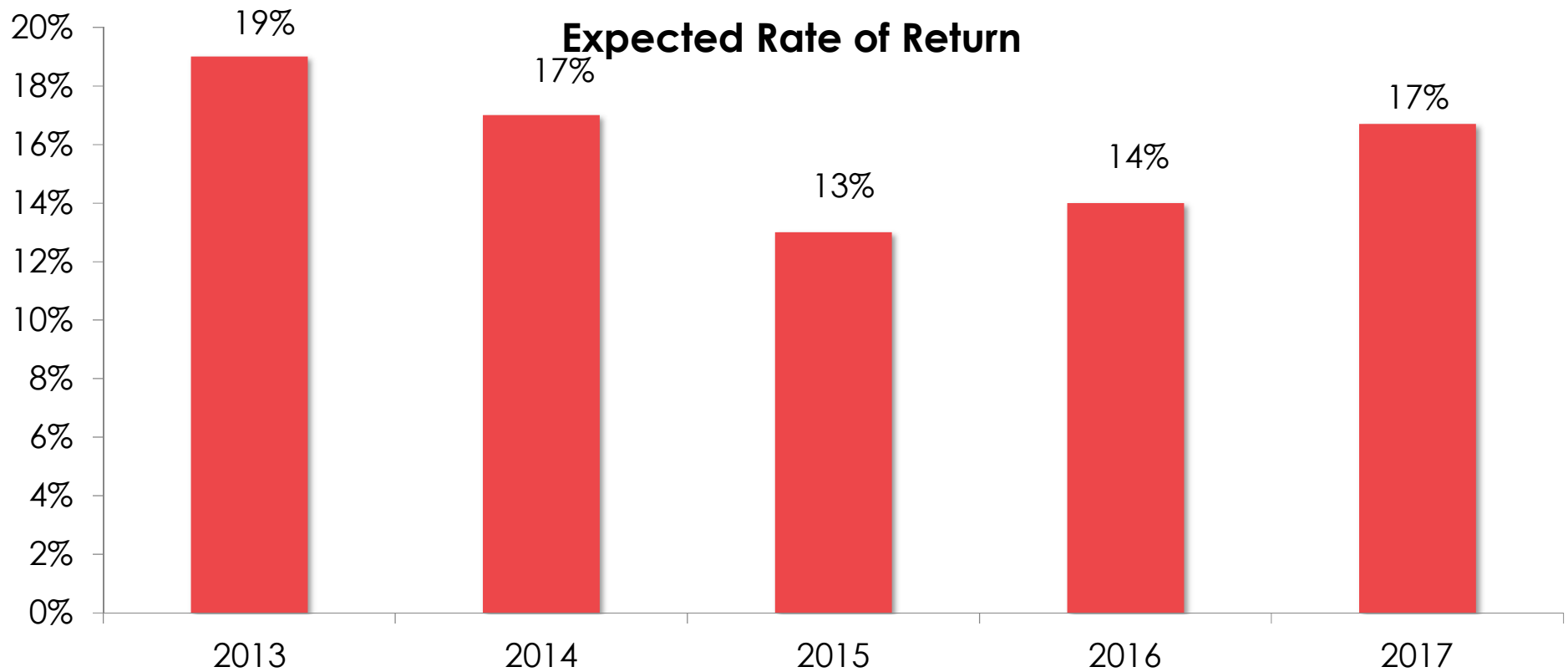
## Avg. Length of Ownership (Years)



Q: How many years does your client intend to keep the property?



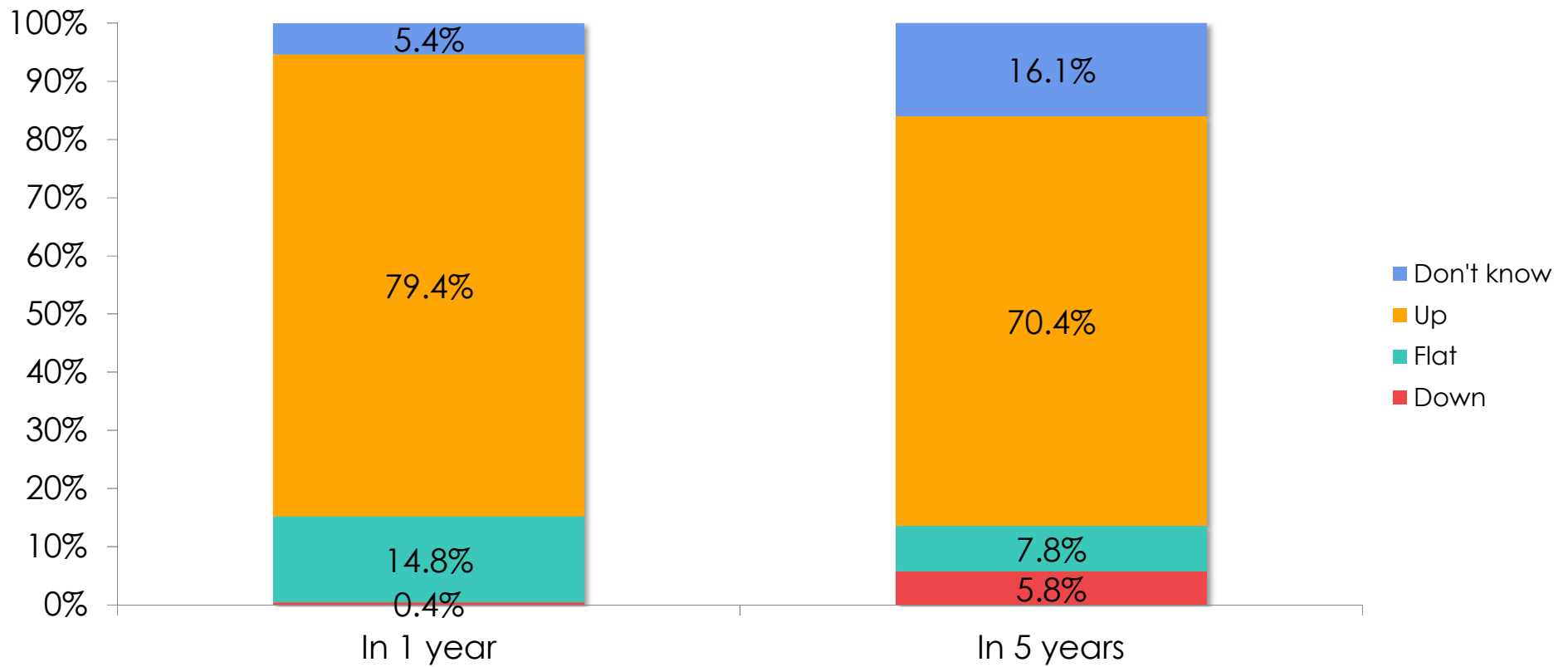
# The real Trump Bump: Bullishness!



Q: What is the expected rate of return on the property investment?



# Future Price Predictions are Positive



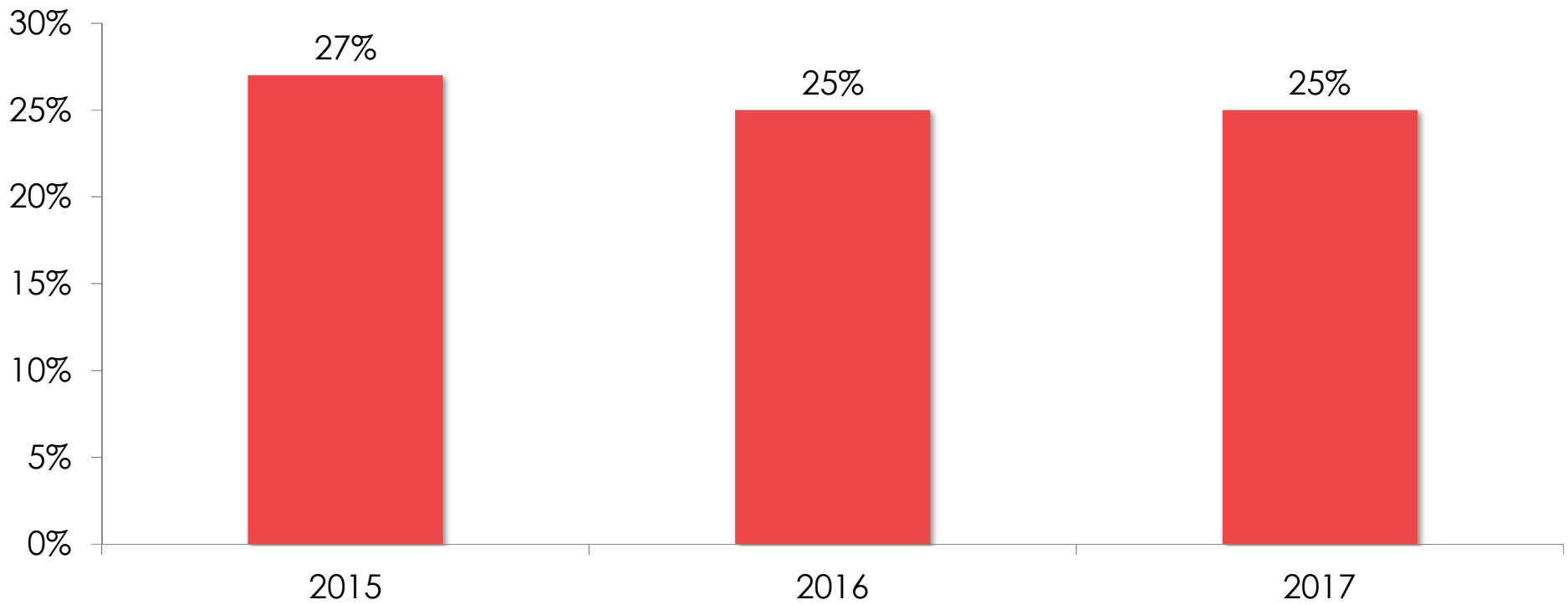
Q: Do you think real estate prices in the neighborhood where the property is located will go up, down or stay flat?





# Not all rates of return w/9 years of tenure

## Expected Price Appreciation

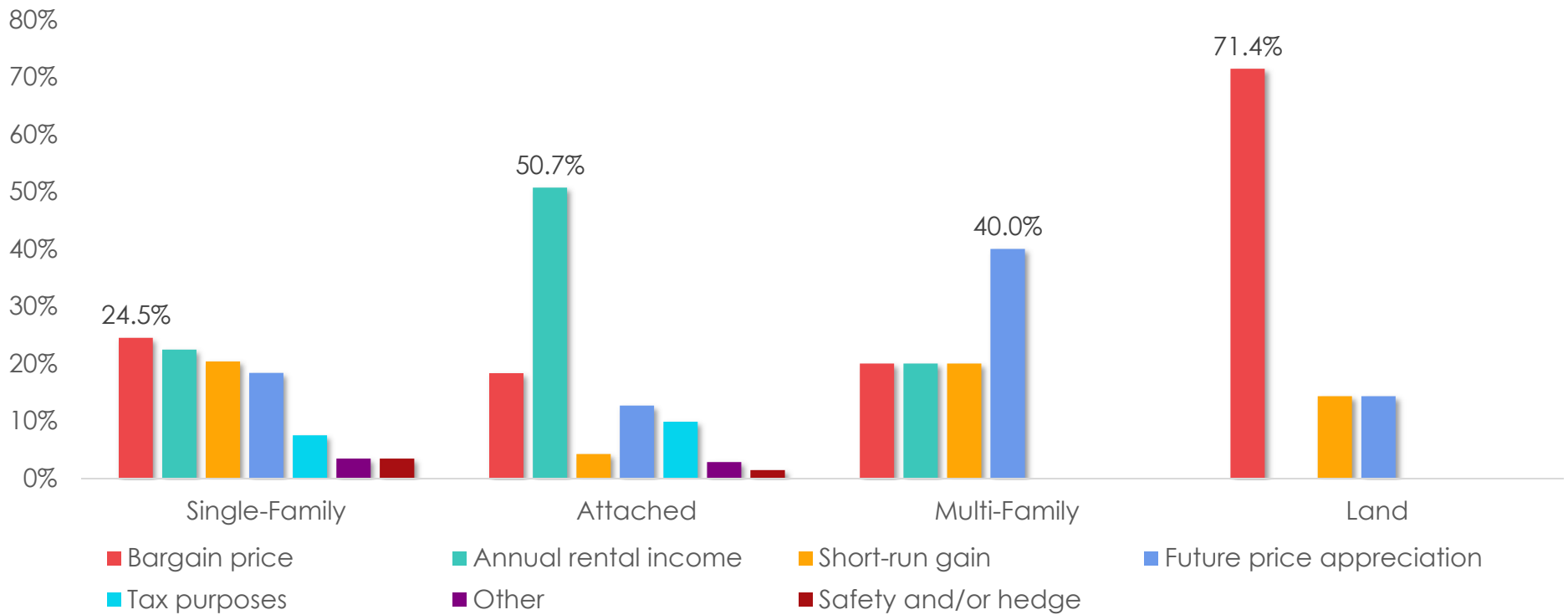


Q: How much does your last investor client expect the property to appreciate by the time he/she sells?



# Motivations dictate properties of interest

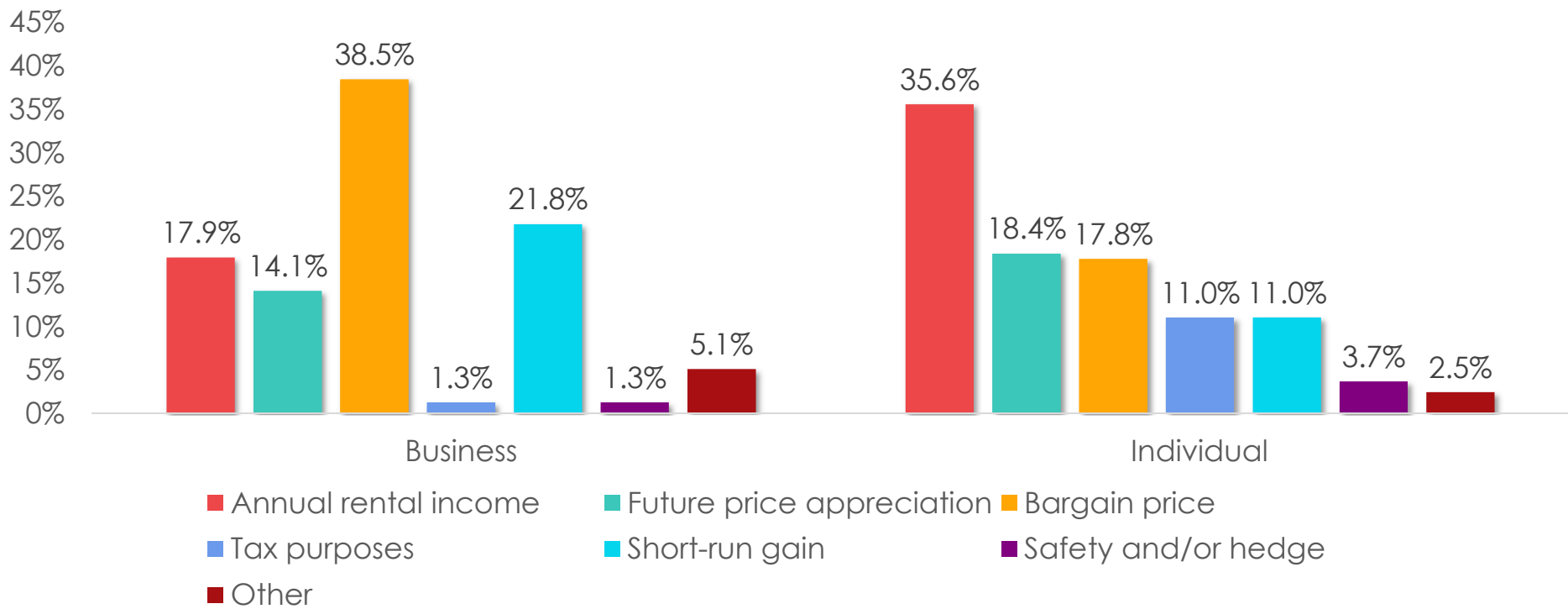
Primary Motivation for Purchase





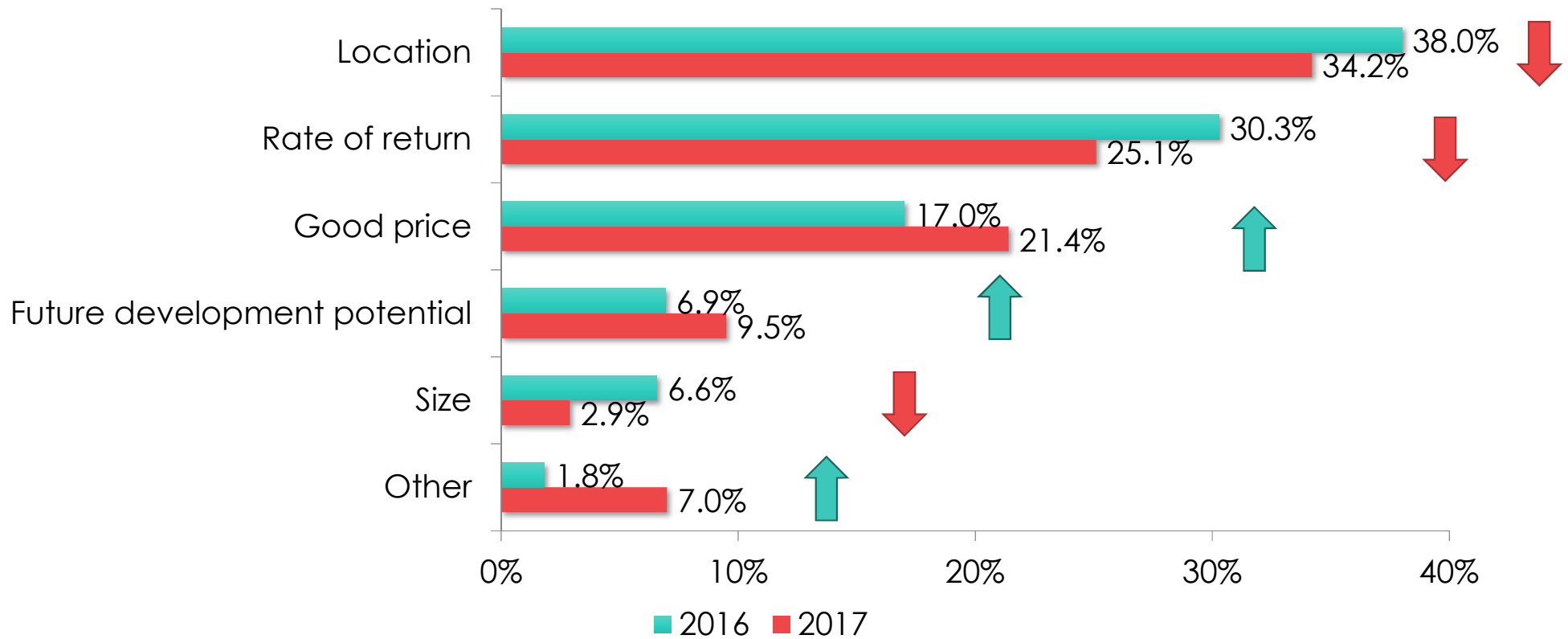
# Biz wants deals; individuals mostly rents

Primary Motivations by Type of Client





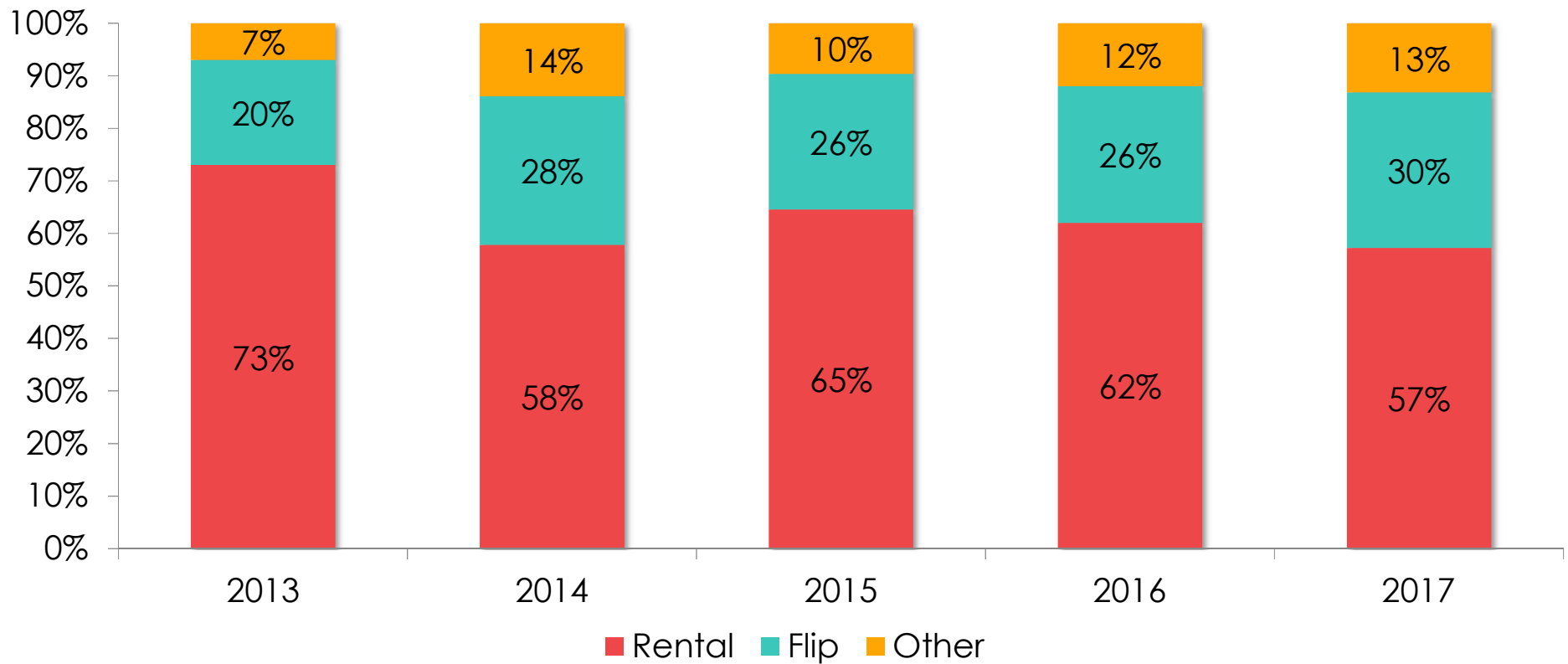
# Less focus on location and returns



Q: What was the single most important reason that your last investor buyer chose to purchase that particular property?



# Blip for flips? Rental share is down.

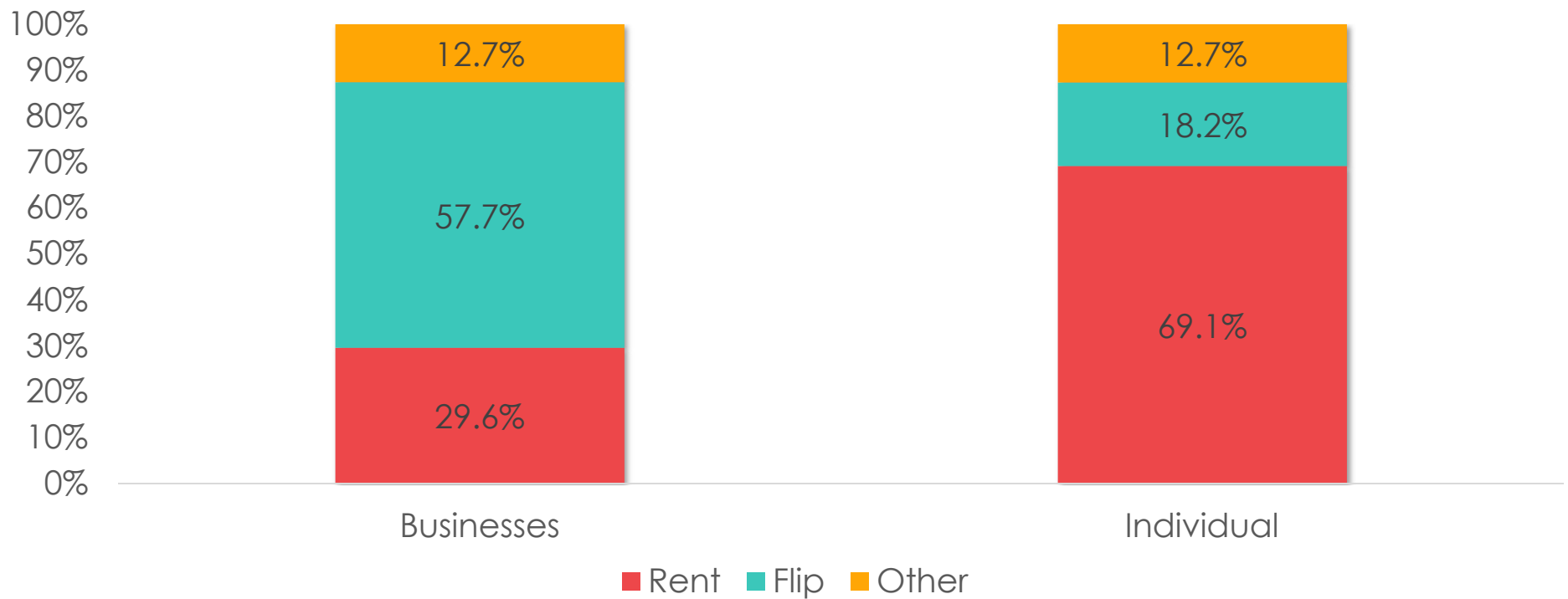


Q: What was the intended use of the property?



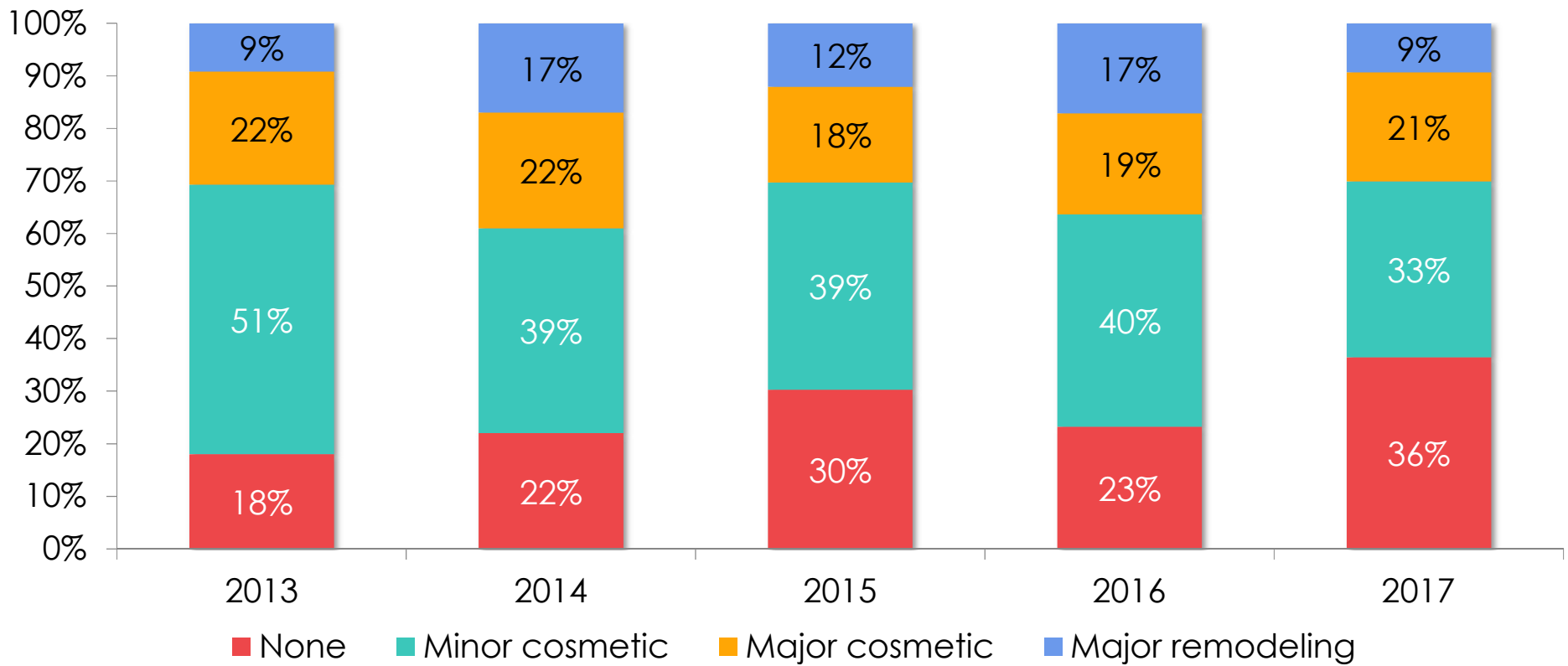
# Probably due to more business investors

Rent/Flip by Type of Client





# Fewer investors spending money: 'turn-keys'

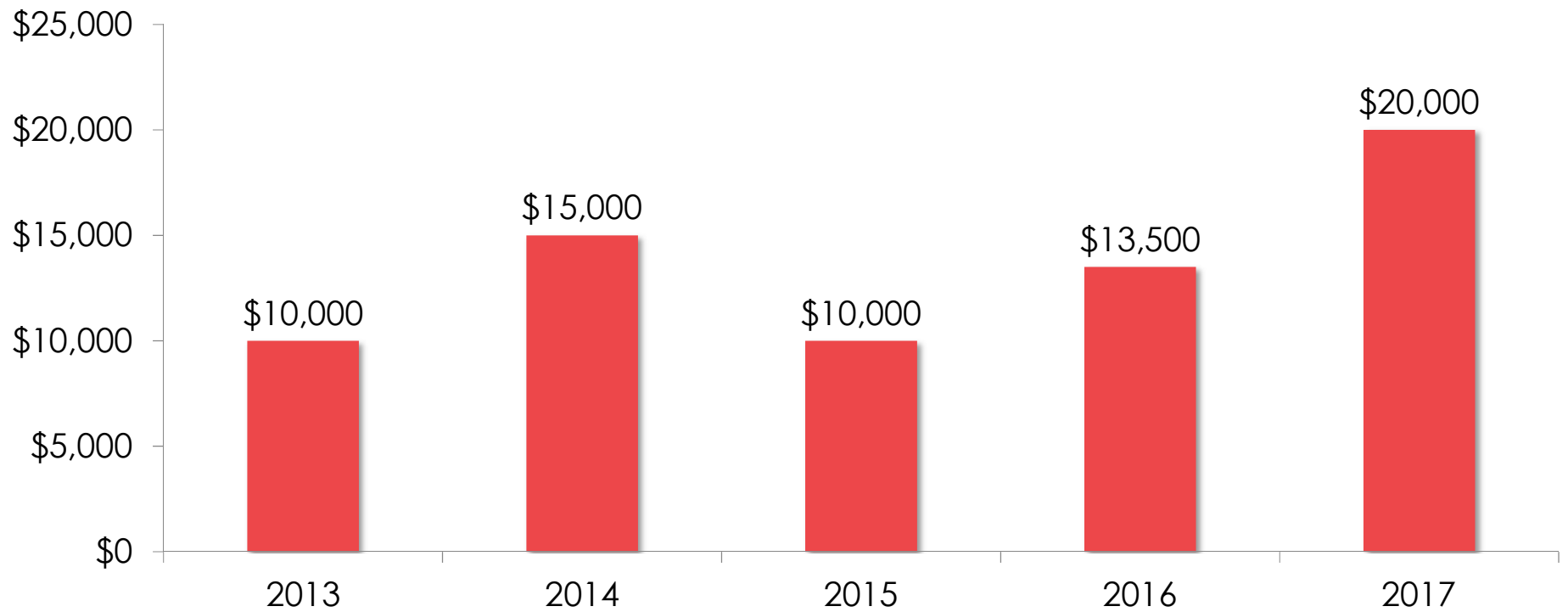


Q: What type of rehabilitation/remodeling was done to the property?



# Those that did rehab, spent a lot more

## Median Cost of Rehab

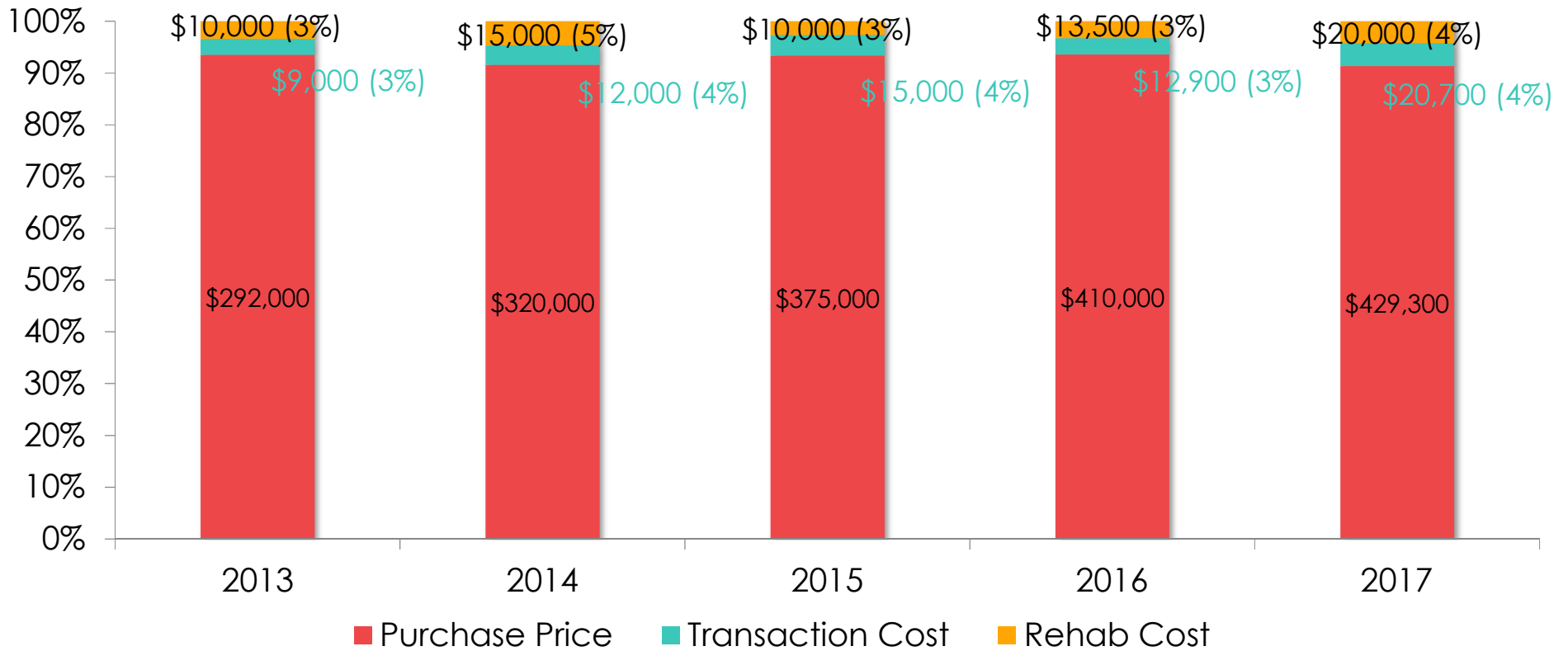


Q: How much did your client invest in rehabilitating/remodeling the property?





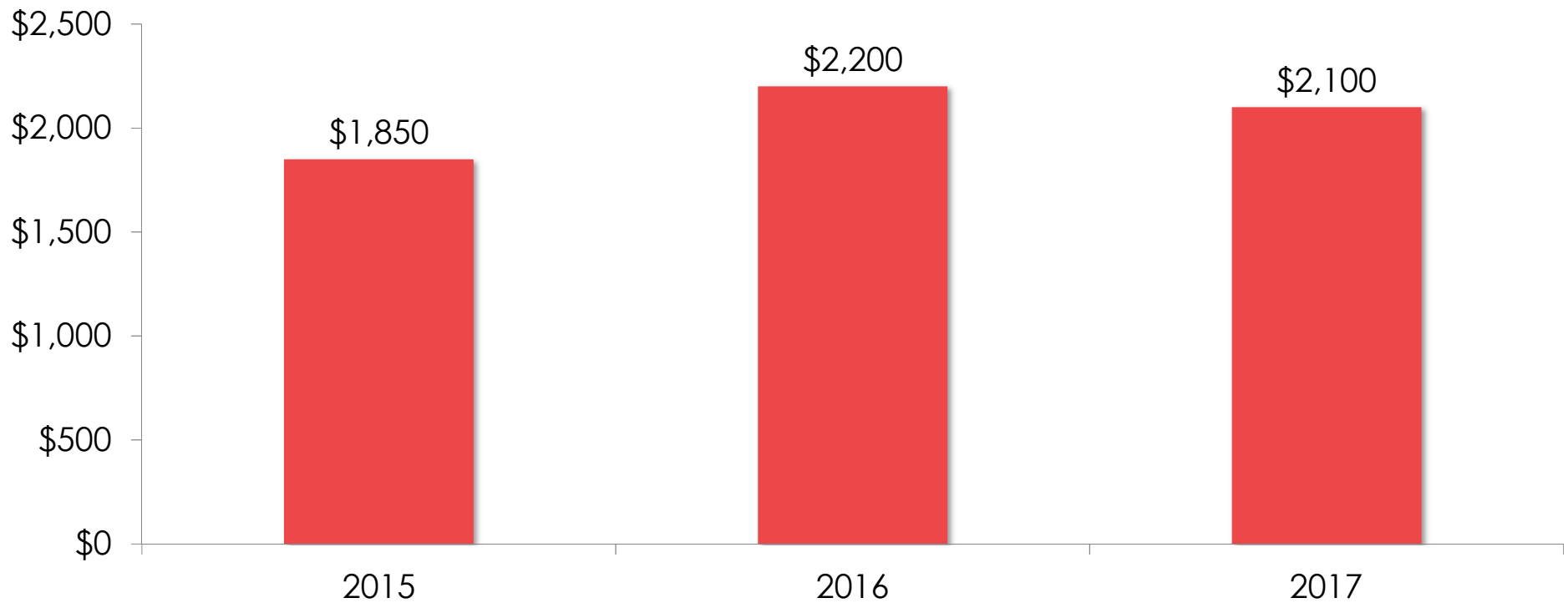
# Costs equate to roughly 8% of sale price





# Median rent flat despite higher prices

## Median

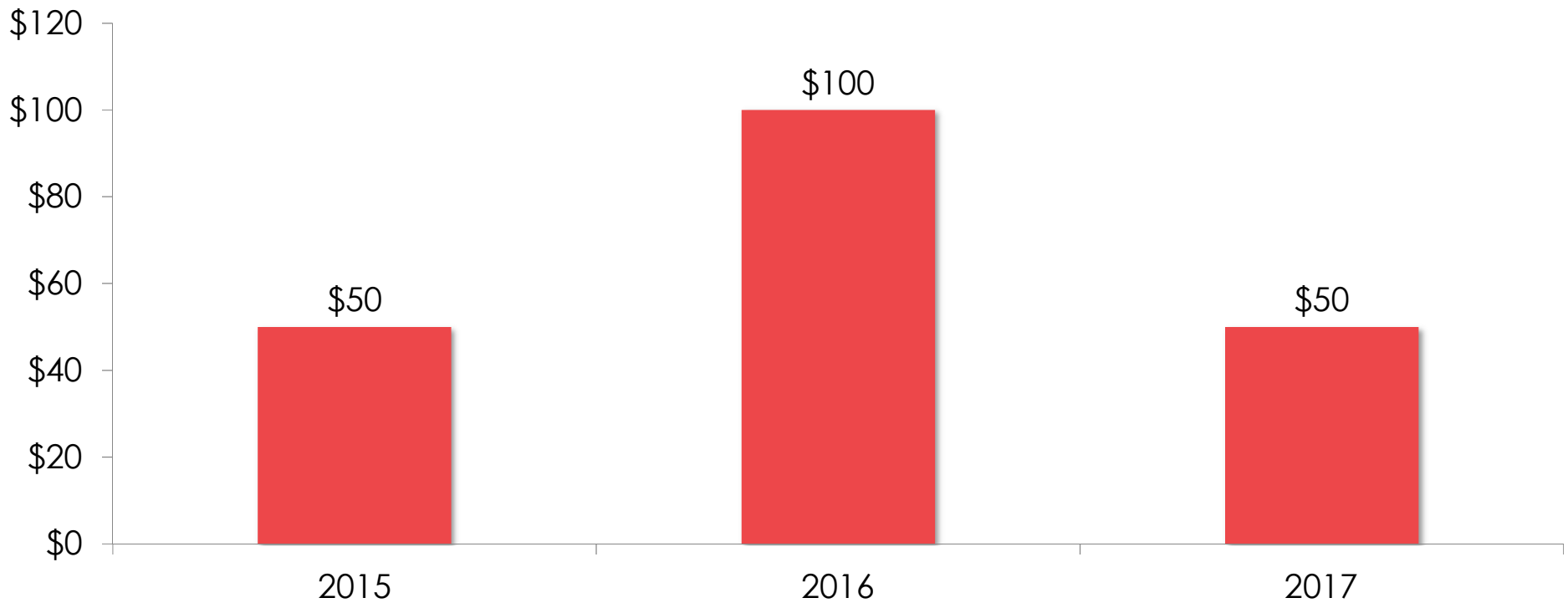


Q: How much will your last investor client charge for monthly rent on the property?



# Maybe a leading indicator... rents topping?

## Median



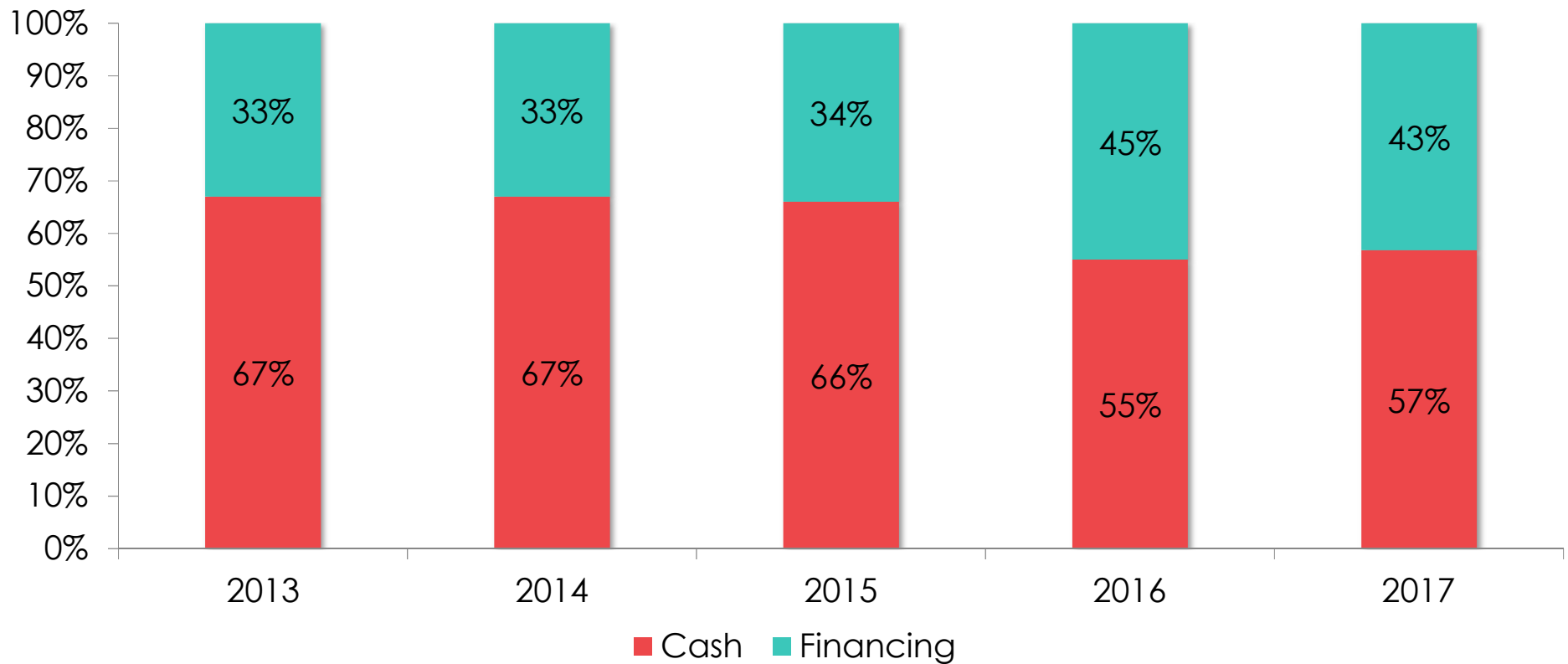
Q: How much will your last investor client increase the monthly rent for the next tenant?



How are Investors  
Paying for Properties?



# Still cash buyers, but with rates this low...

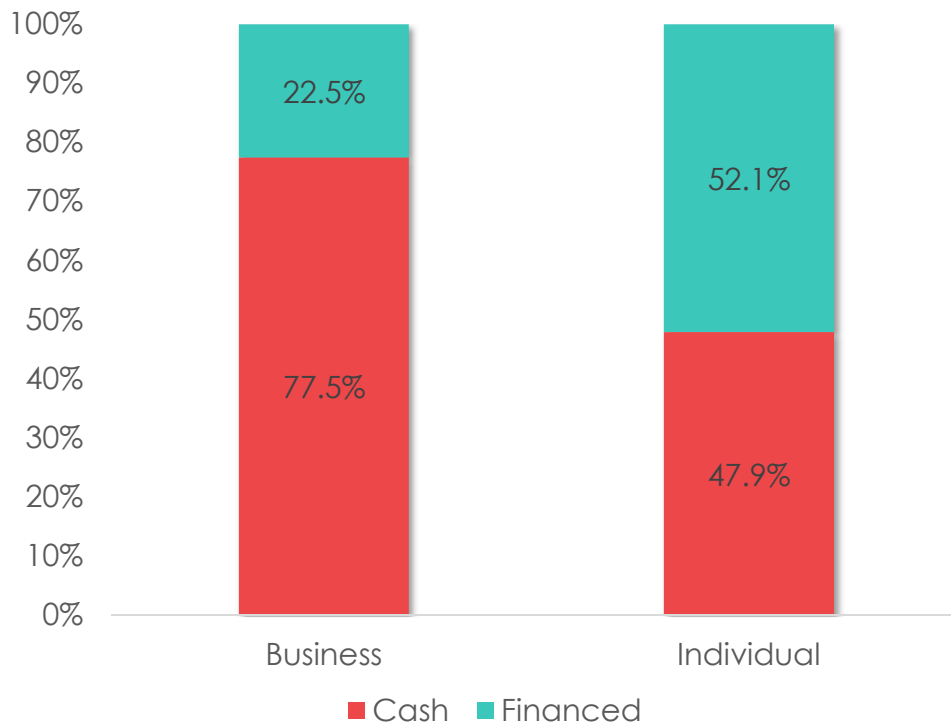


Q: How did your client pay for the property?

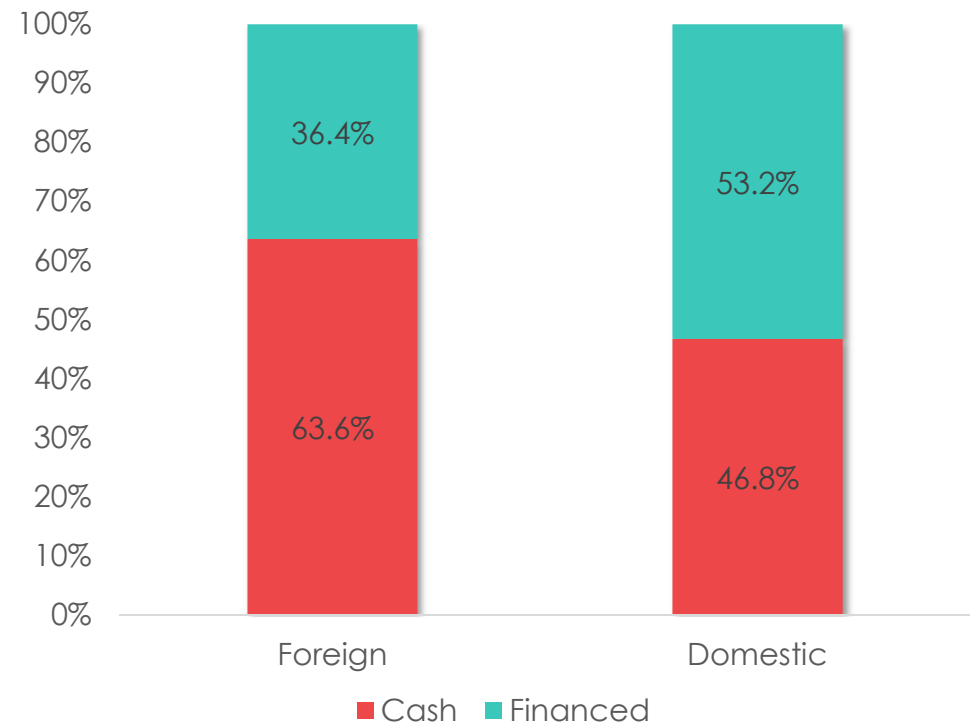


# Cash is still king for certain clients

Financing by Type of Client



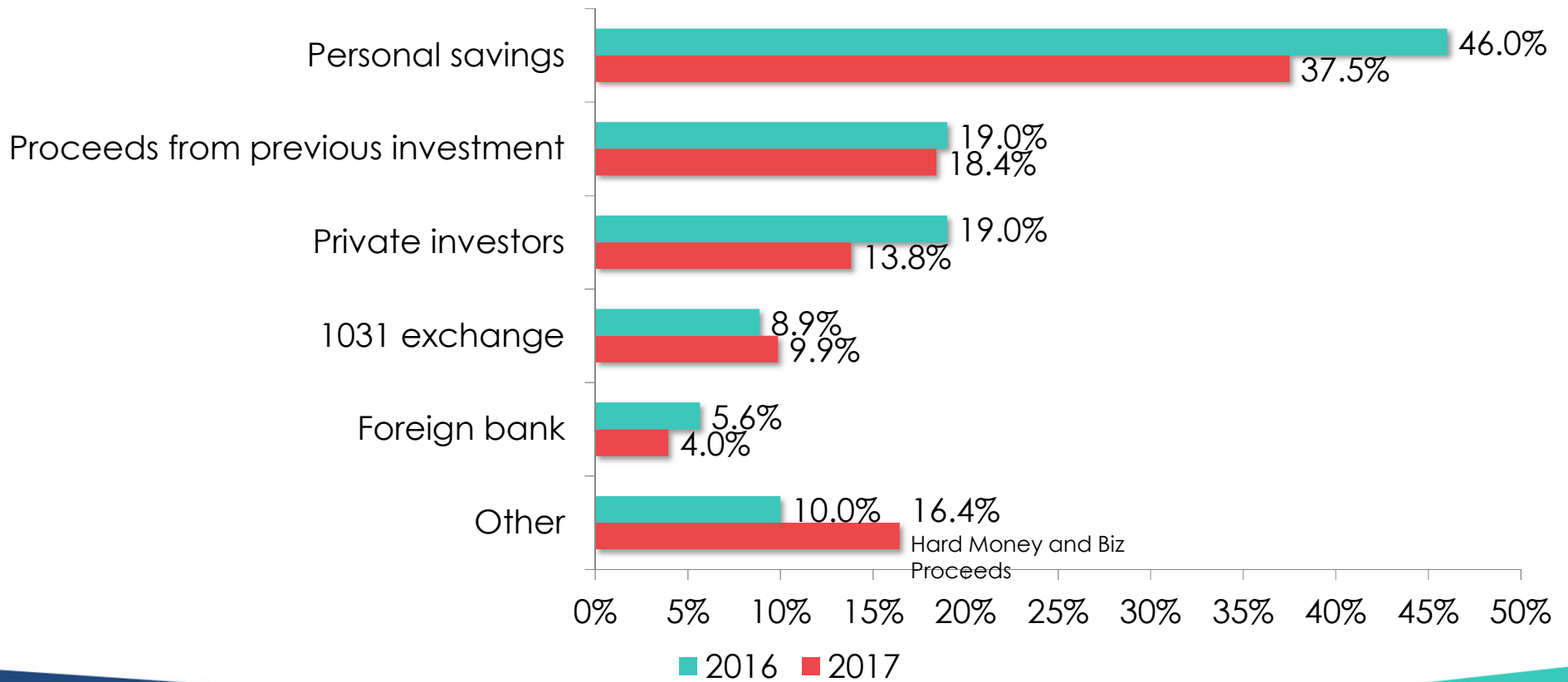
Financing by Country of Residence



Q: How did your client pay for the property?



# Most Cash Funds from Personal Savings



Q: What was the source of the cash funds in your last investor transaction?



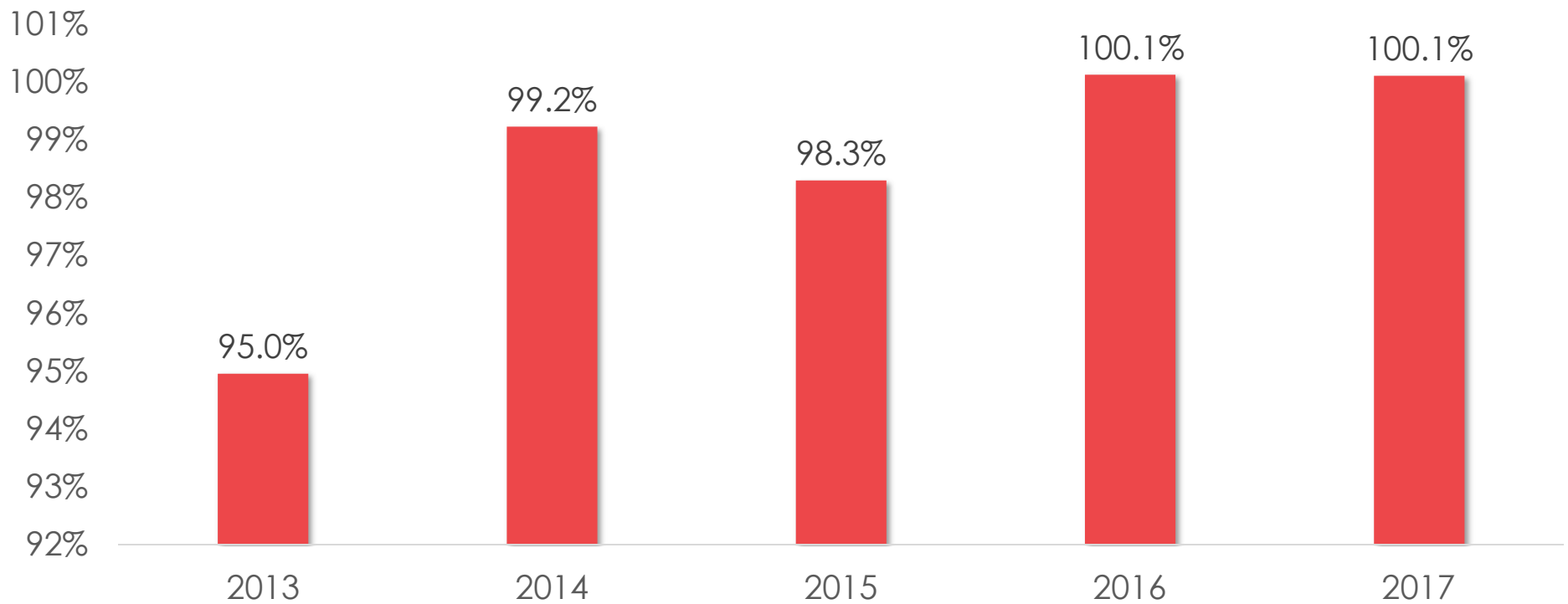
# The Negotiation Process and Dealmaking





# Sellers still getting top dollar in 2017

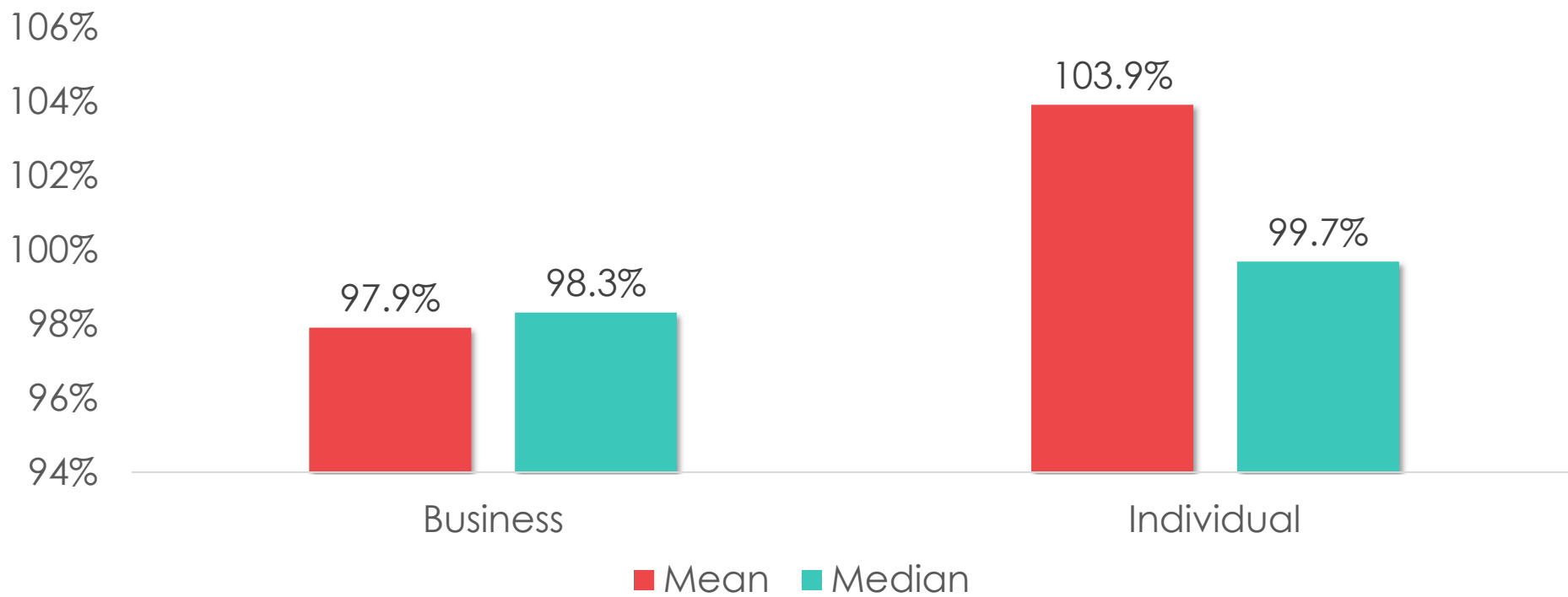
Sales-to-List Price Ratio





# Businesses throw weight around

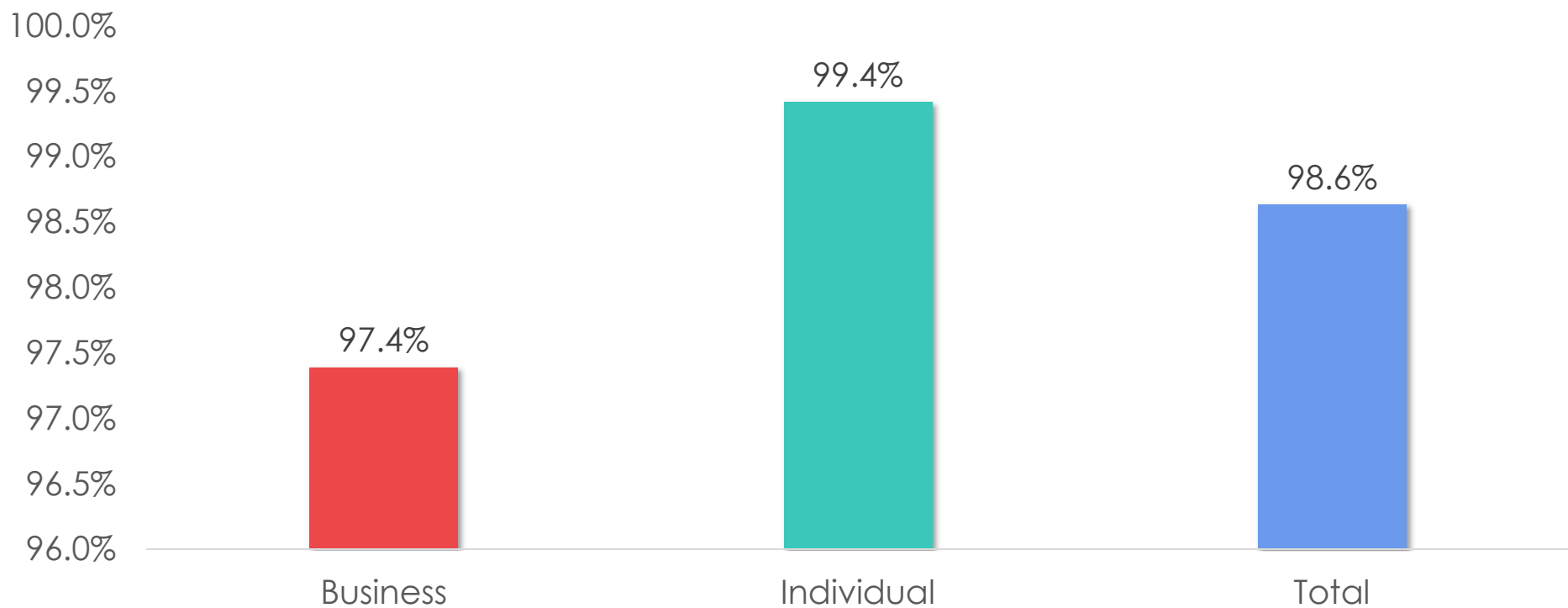
Sales-to-List Price Ratio





# Businesses much more 'cheeky' w/offers

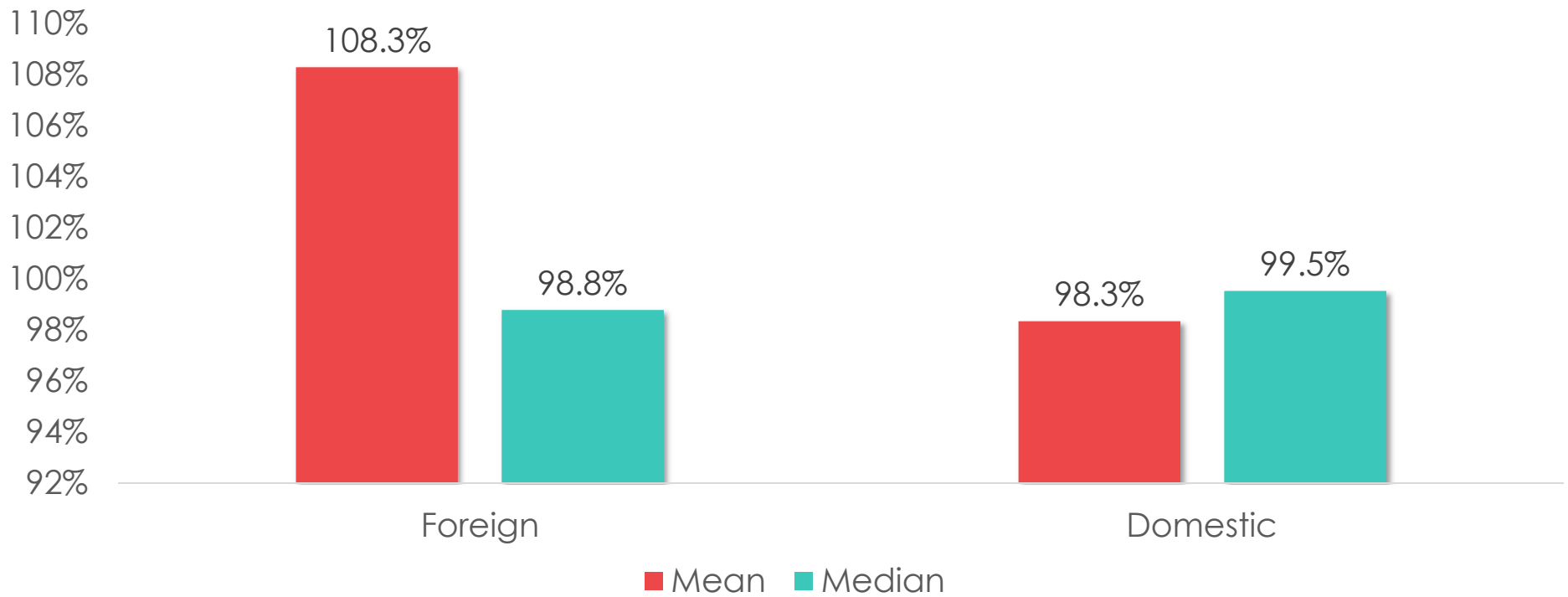
Initial Offer-to-List Price





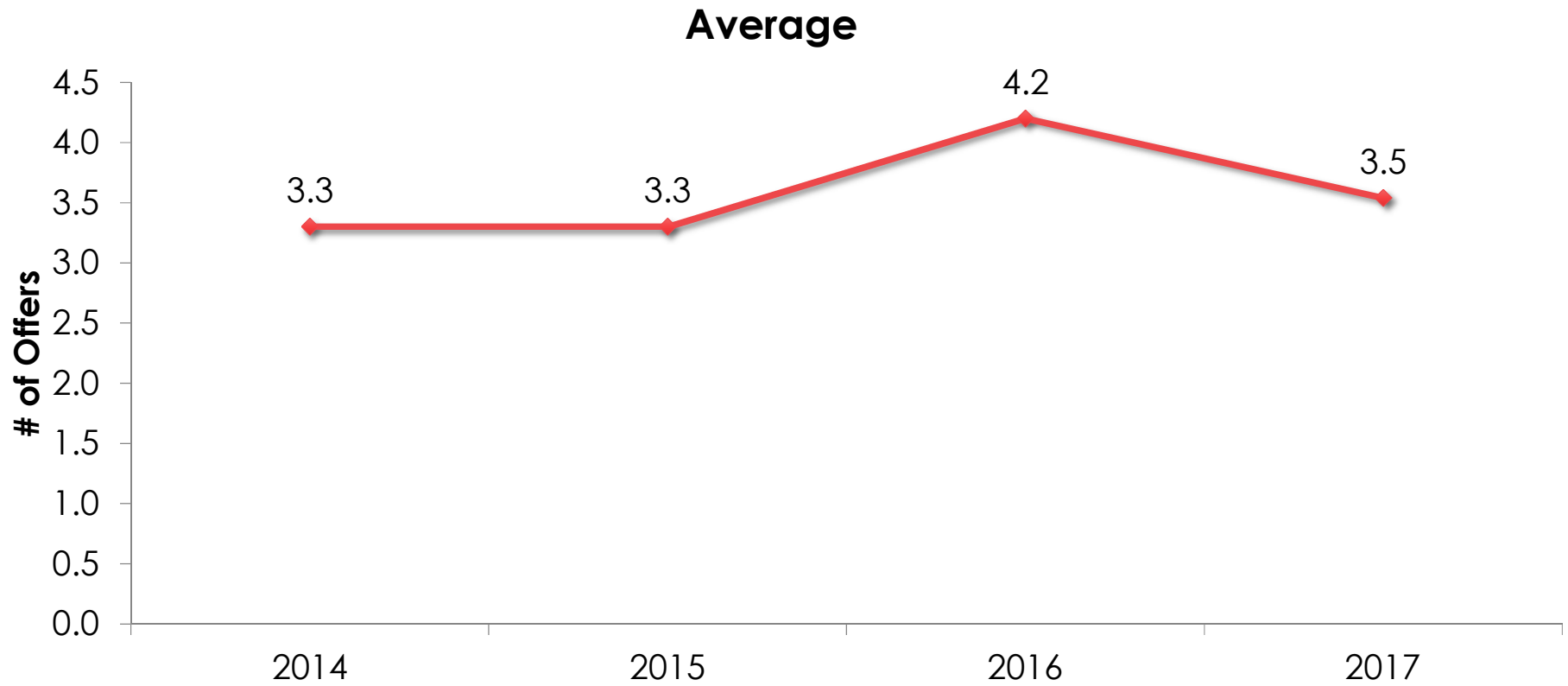
# Foreign investors willing to pay premium

Sales-to-List Price by Residency





# Lots of others competing for investment units

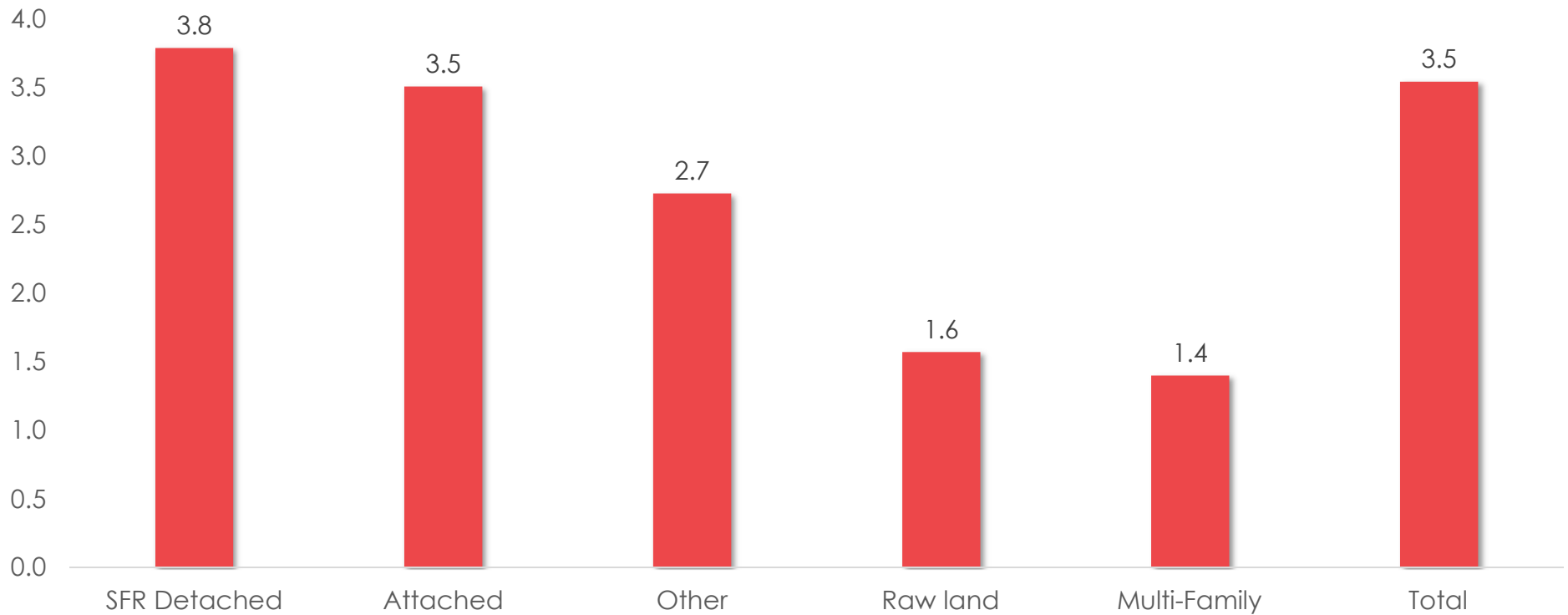


Q: How many offers did the property purchased by your last investor client receive, including that of your buyer?



# But really hot for “single-family” homes

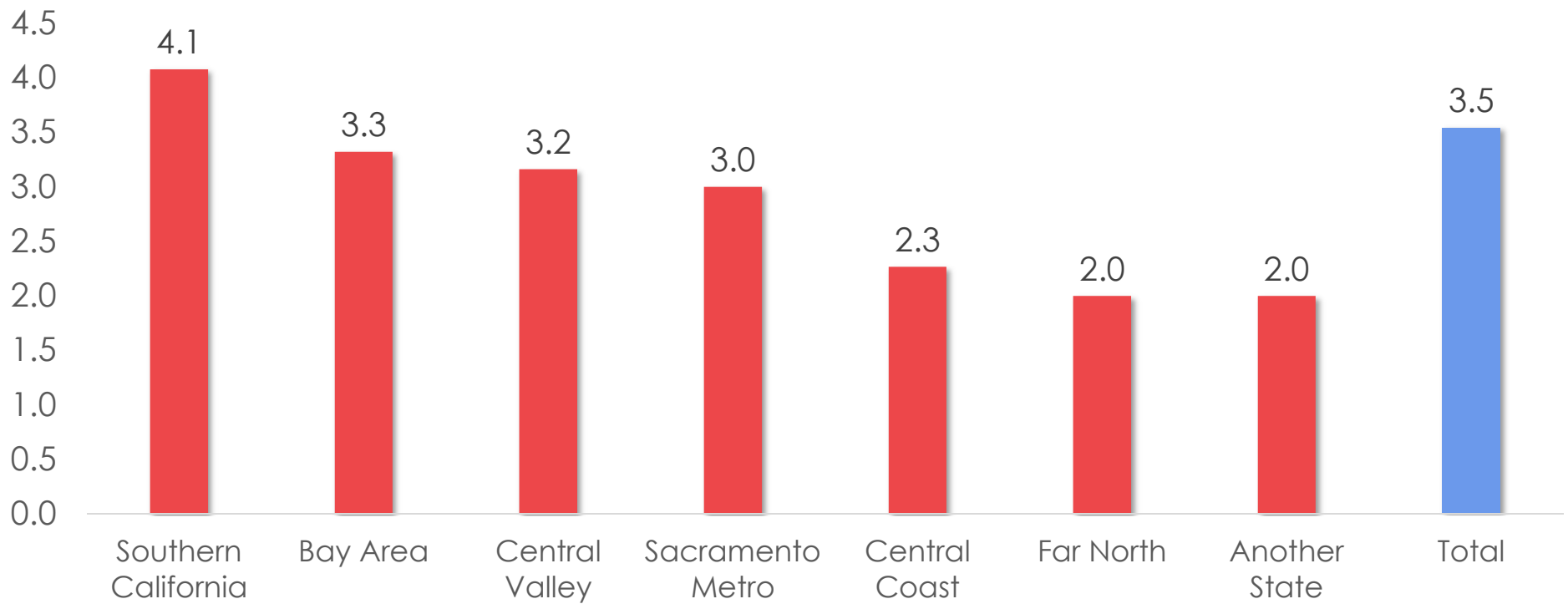
Number of Offers





# Others start to give Bay Area run for its \$

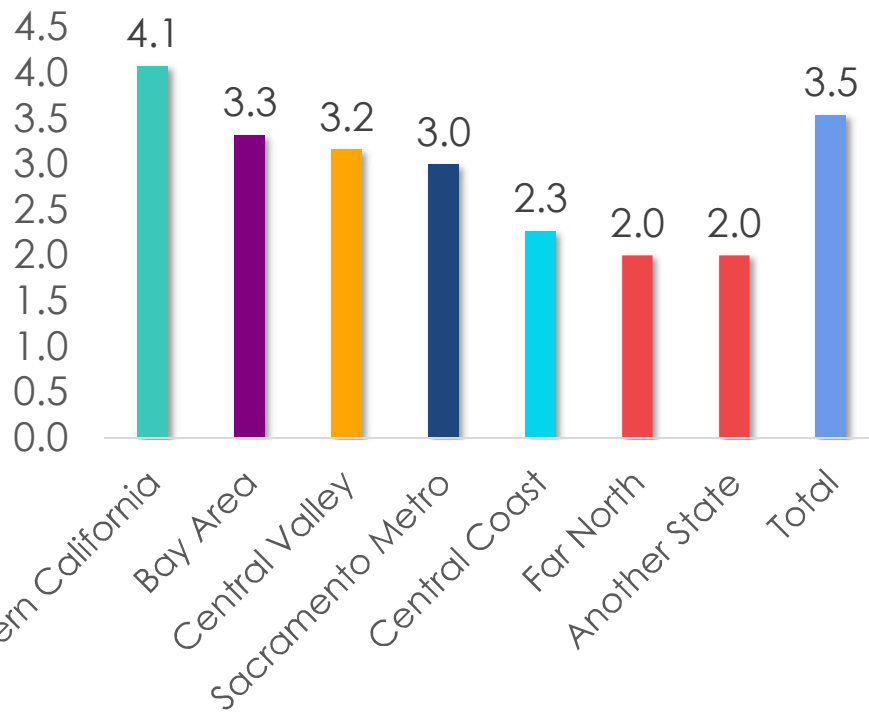
Multiple Offers by Region



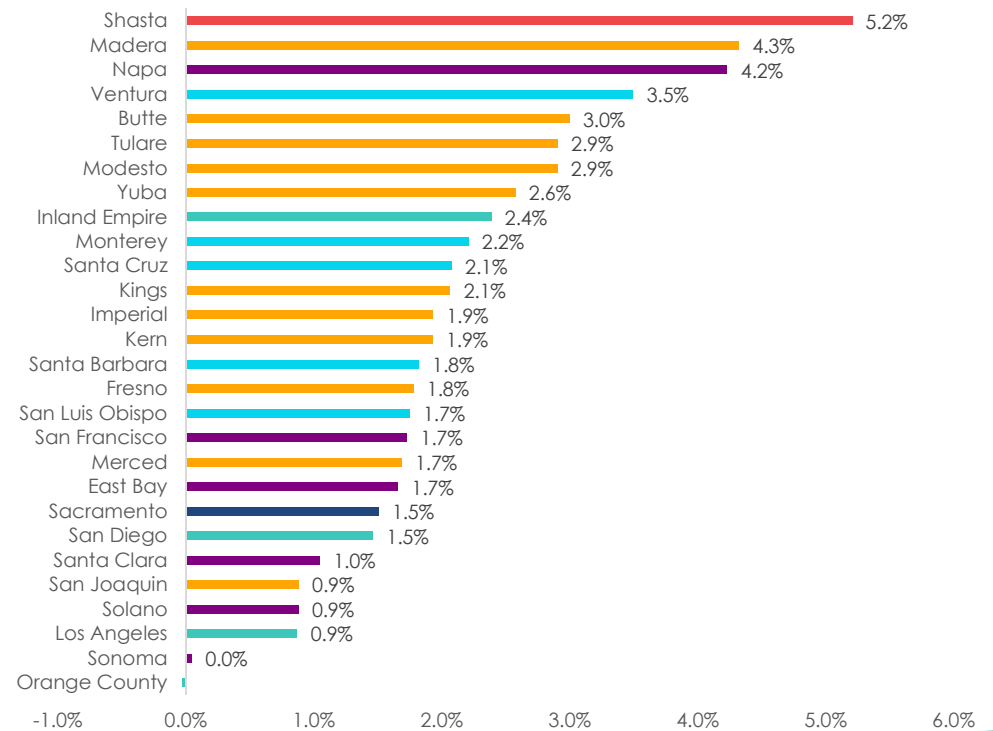


# Those are the areas to watch heat up

### Multiple Offers by Region



### California Job Growth

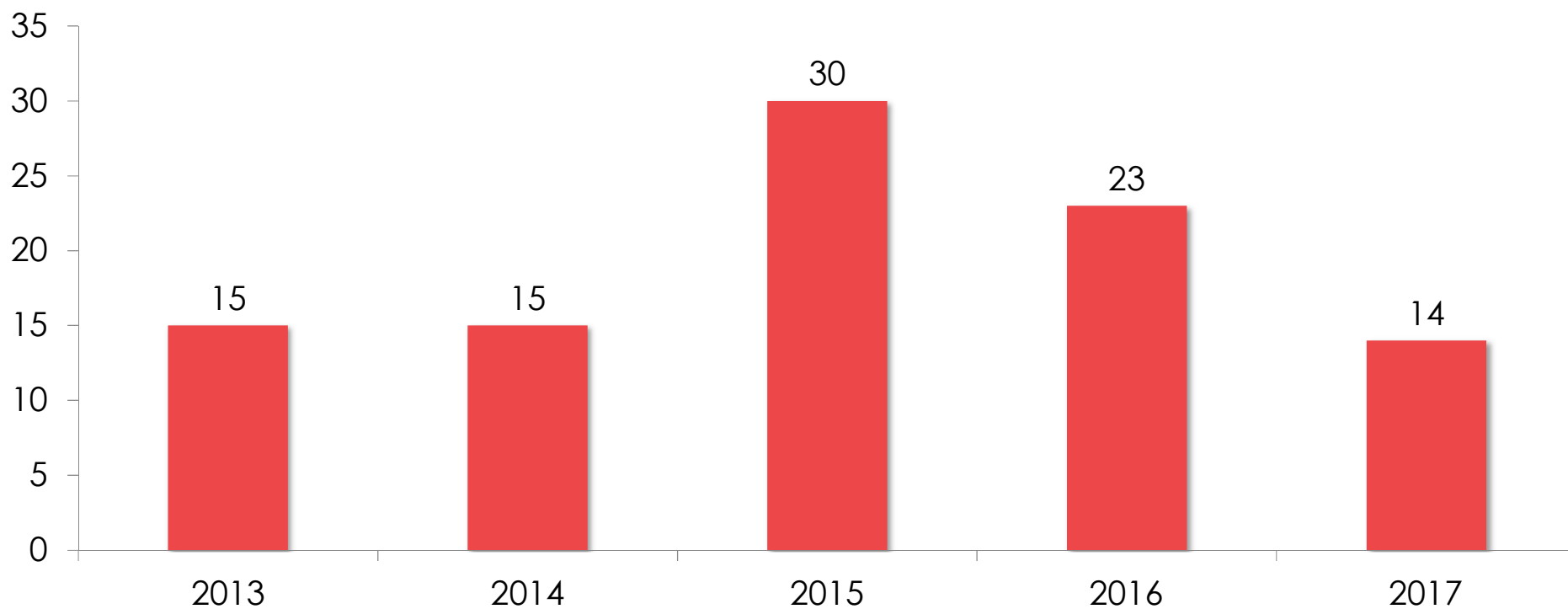






# Moving even faster than the market overall

## Median Days on the Market

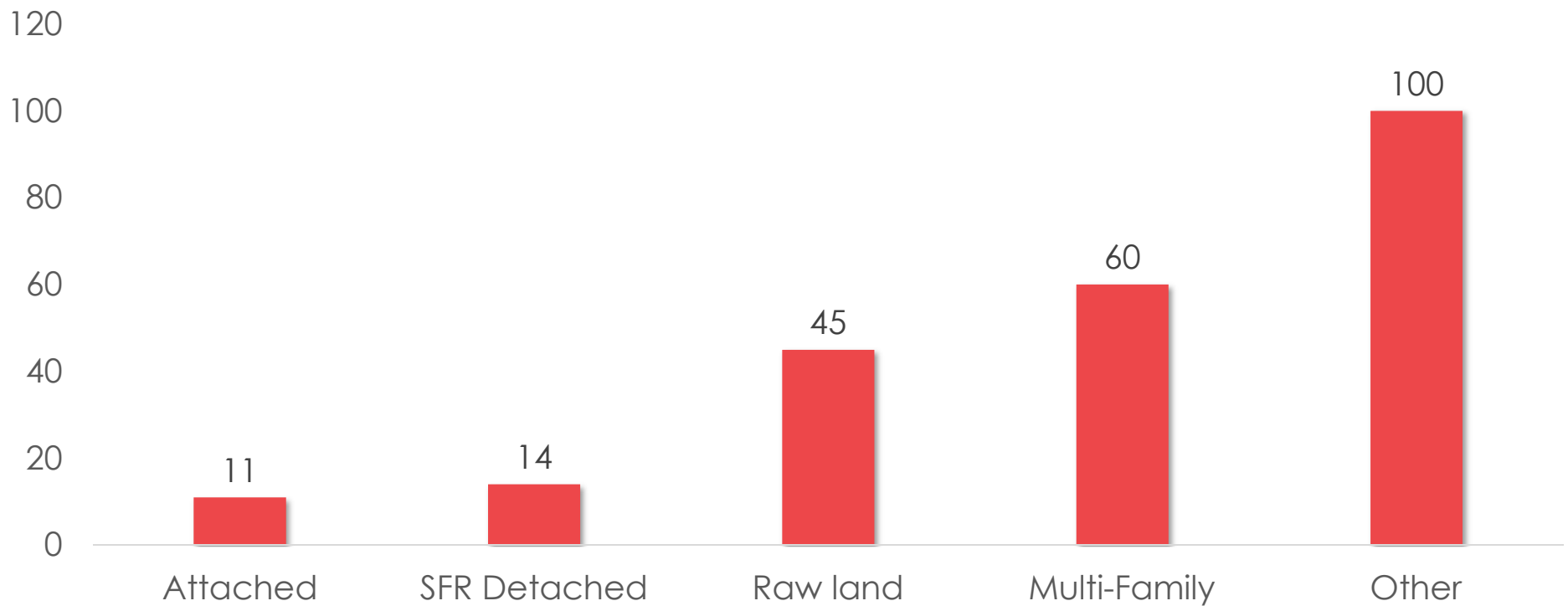


Q: How many days was the property on the market?



# Inventory issues in popular property types

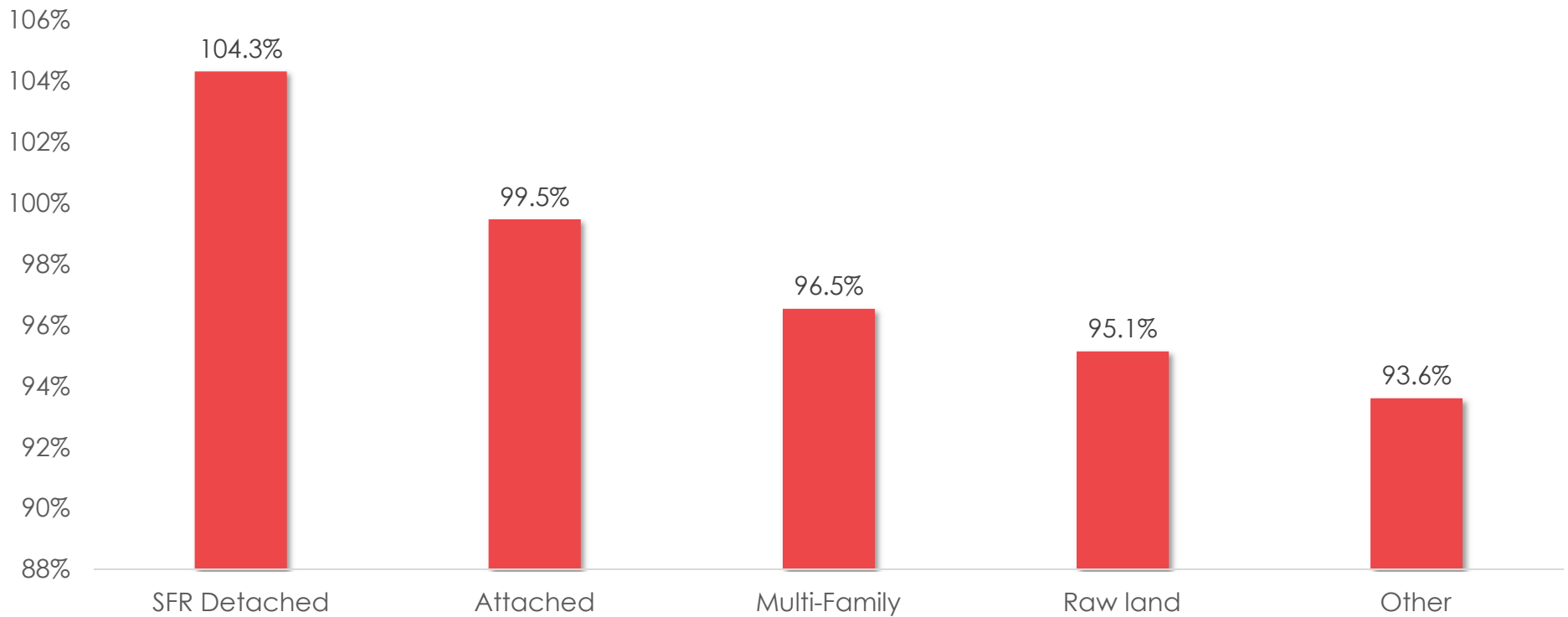
Median Time on Market





# Driving up competition for those units!

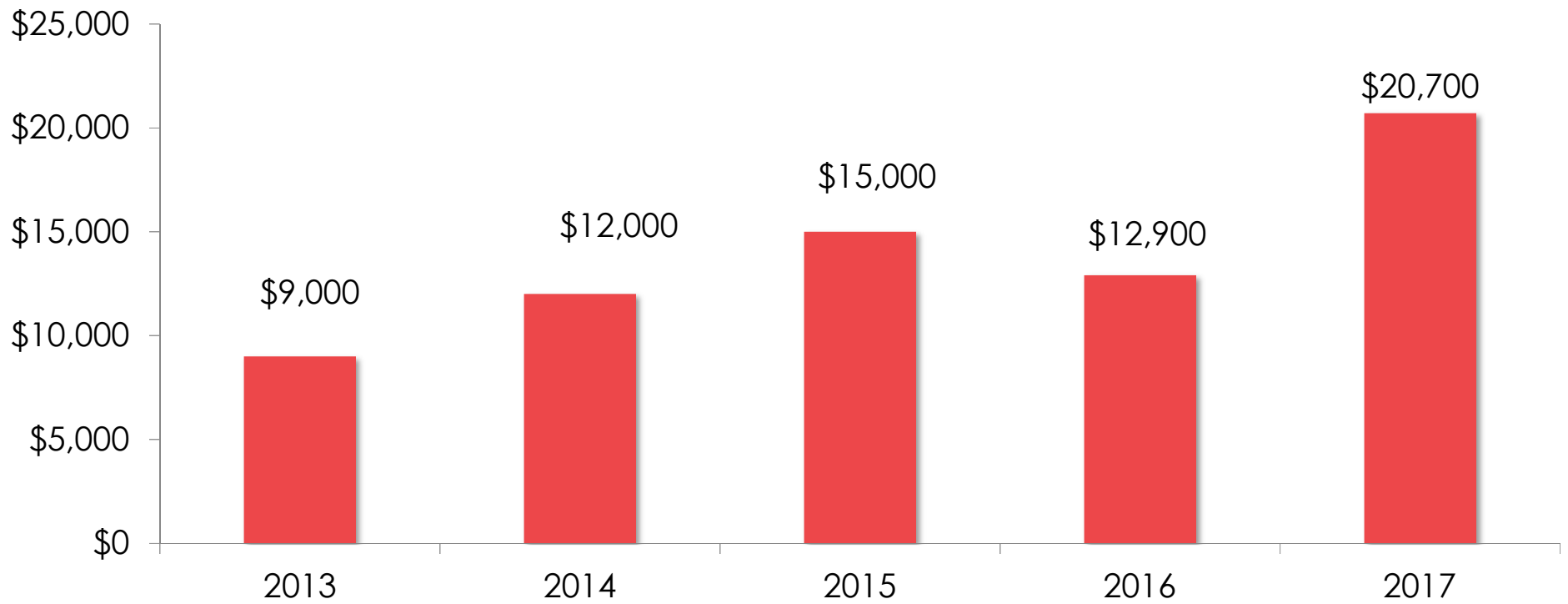
Sales-to-List Price by Property Type





# Transaction costs rise more than prices

## Median Cost



Q: How much did it cost to purchase the property?

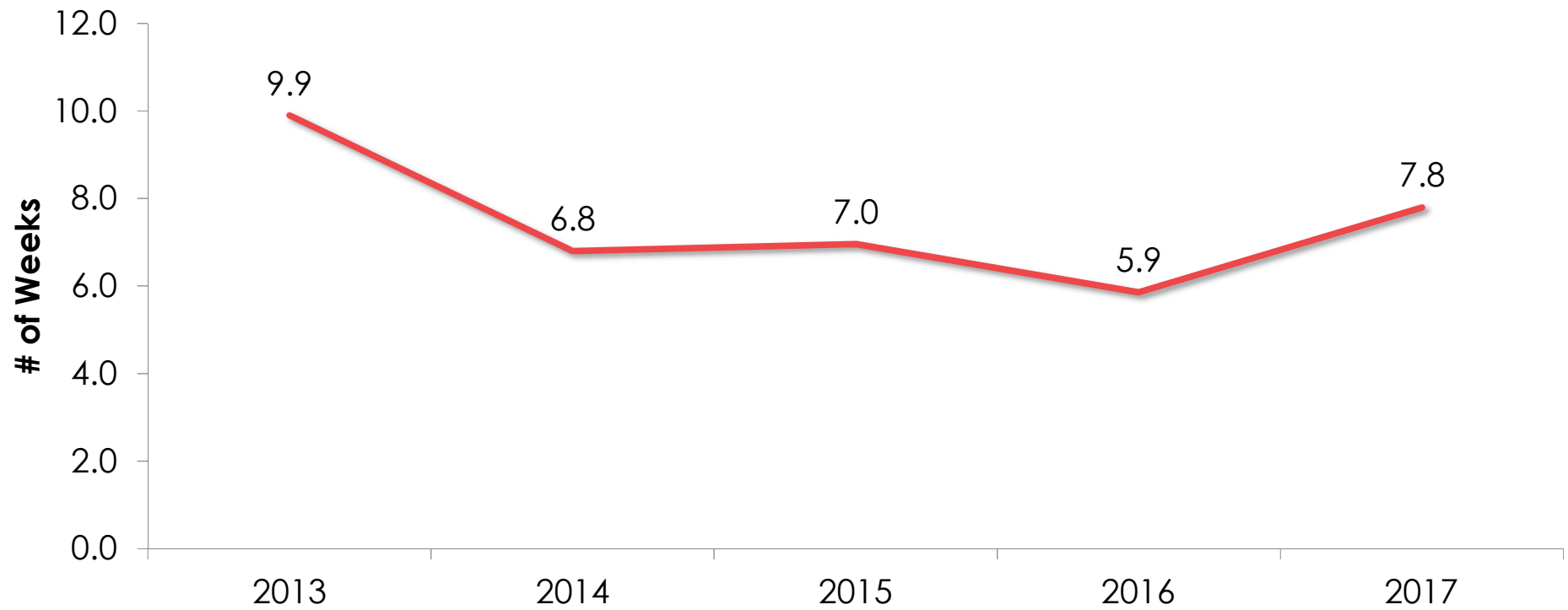


# Strategic Considerations & REALTOR® Relationship



# Finding deals takes patience in this market

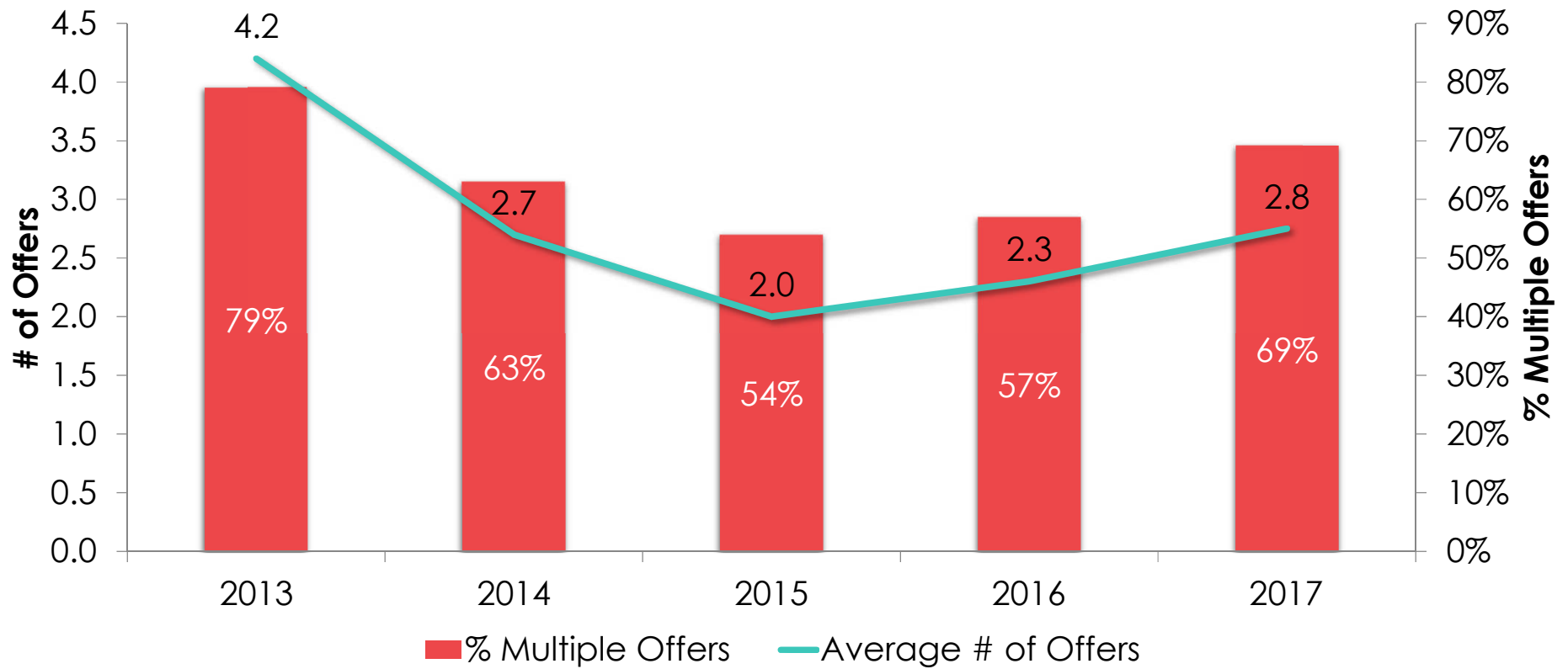
Average



Q: How many weeks did you spend looking for a property with your client?



# Many had to go to several properties to close

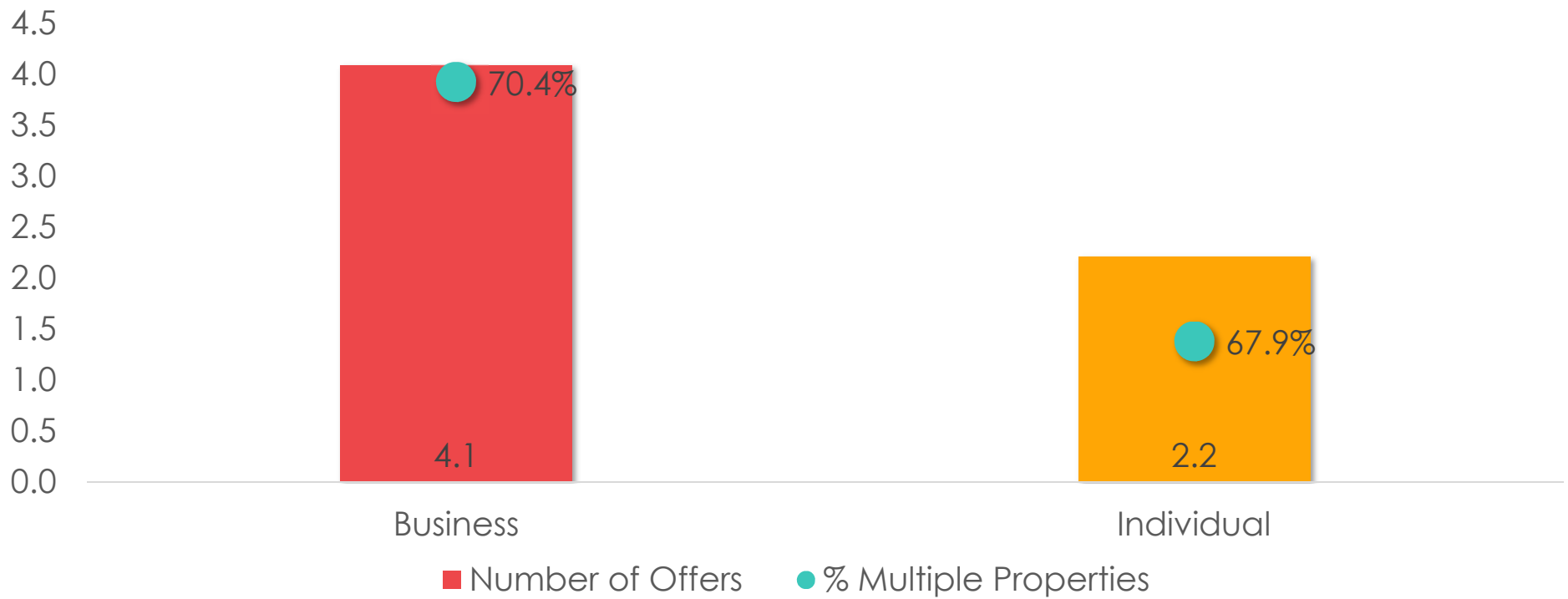


Q: How many offers did your client make on other properties?



# Especially businesses trying for deals

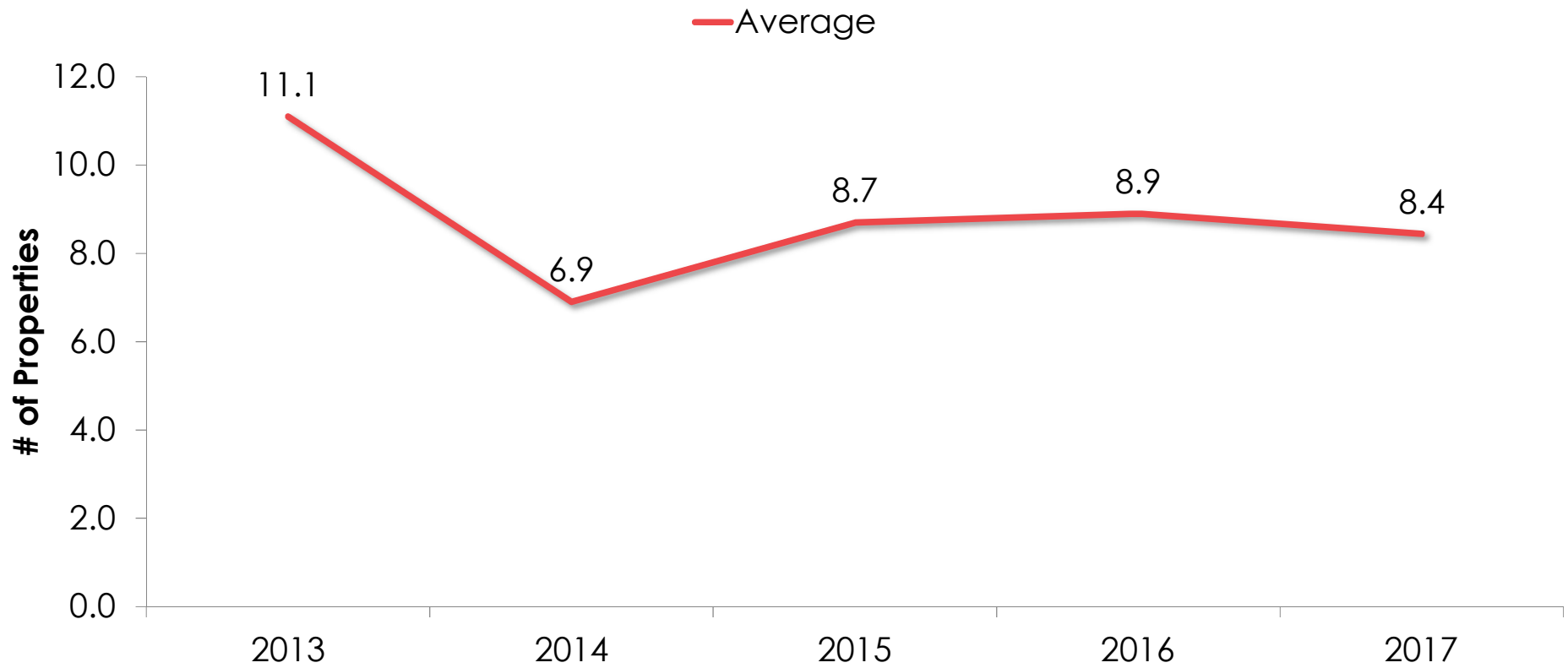
Other Properties Bid On by Type of Investor







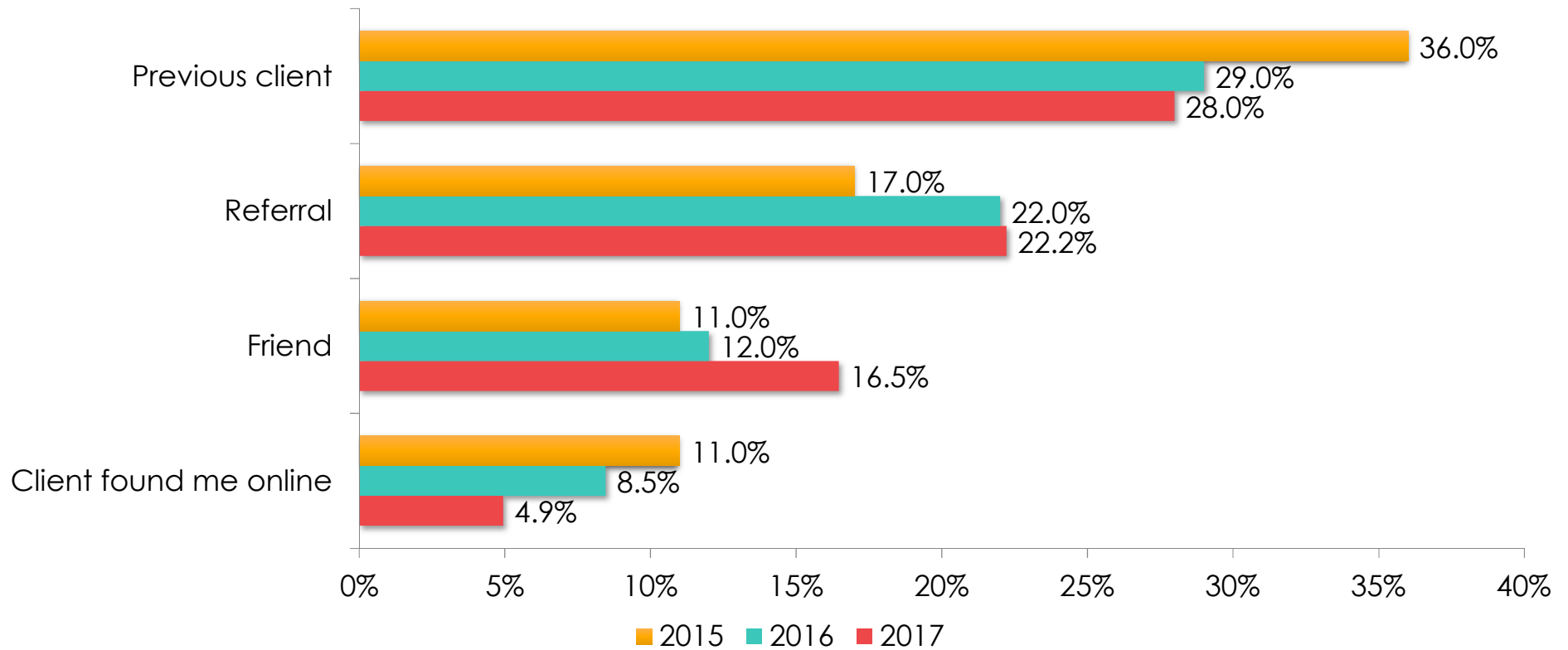
# Keep vehicles in good repair, lots of showings



Q: How many properties did you view with your client prior to the client making a purchase?



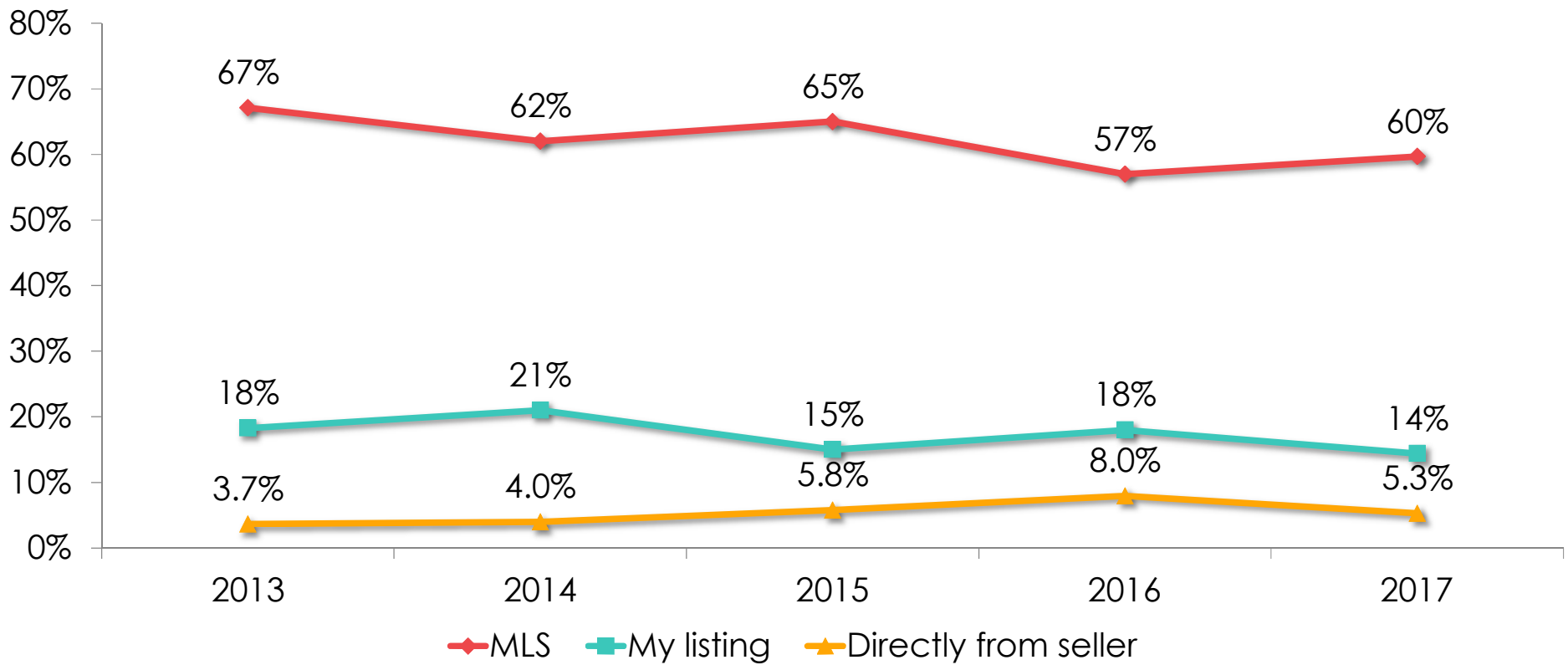
# Still a traditional business



Q: How did you establish a relationship with your last investor client?



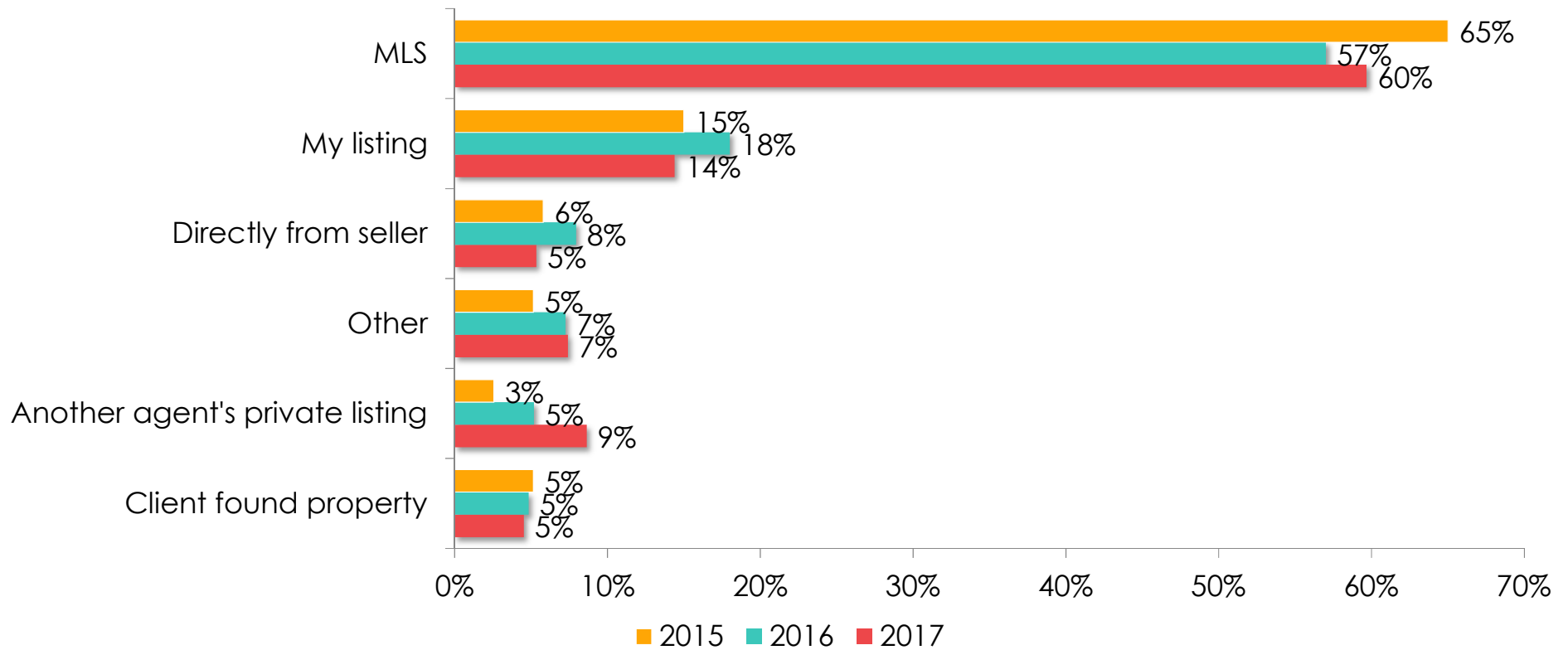
# MLS is still alive and well



Q: How did you find the property for your client?



# Still pays to work with a REALTOR®



Q: How did you find the property for your client?

But the disruptors are ever-present

ZILLOW

MANAGED  
ONE MET MEETING

MLS

REDFIN  
PERSONAL

AGENT

BROKER  
SANDICOR

FARM

OPENHOUSE

COM AGENT

FACEBOOK

AREA

BROKER

ANOTHER KNEW

CRAIGSLIST

RECRUITED

FRIEND

INVESTOR

PROPERTY

SELLER

MEMBER

CHURCH  
TENANT  
ROTARY

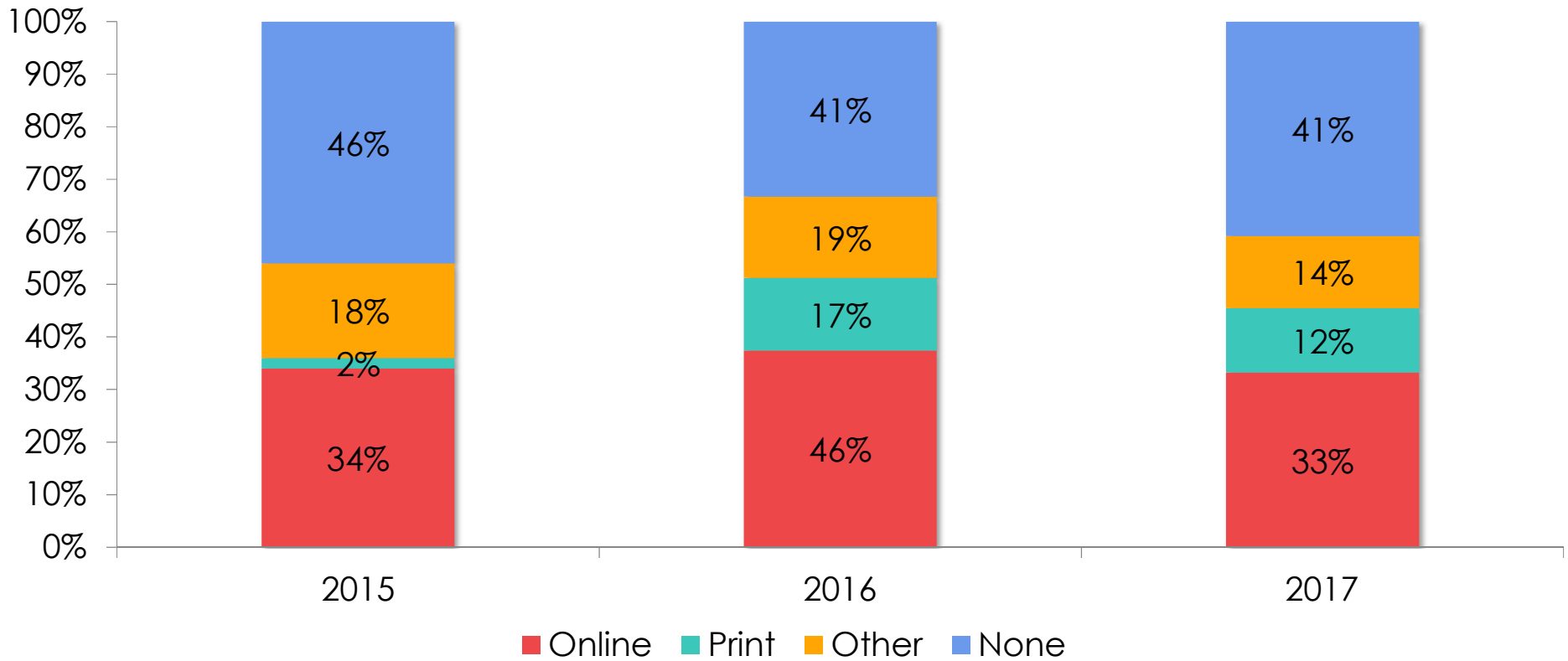
SOTHEBY'S

LOOPNET

LISTING



# Not getting bang from bucks online?

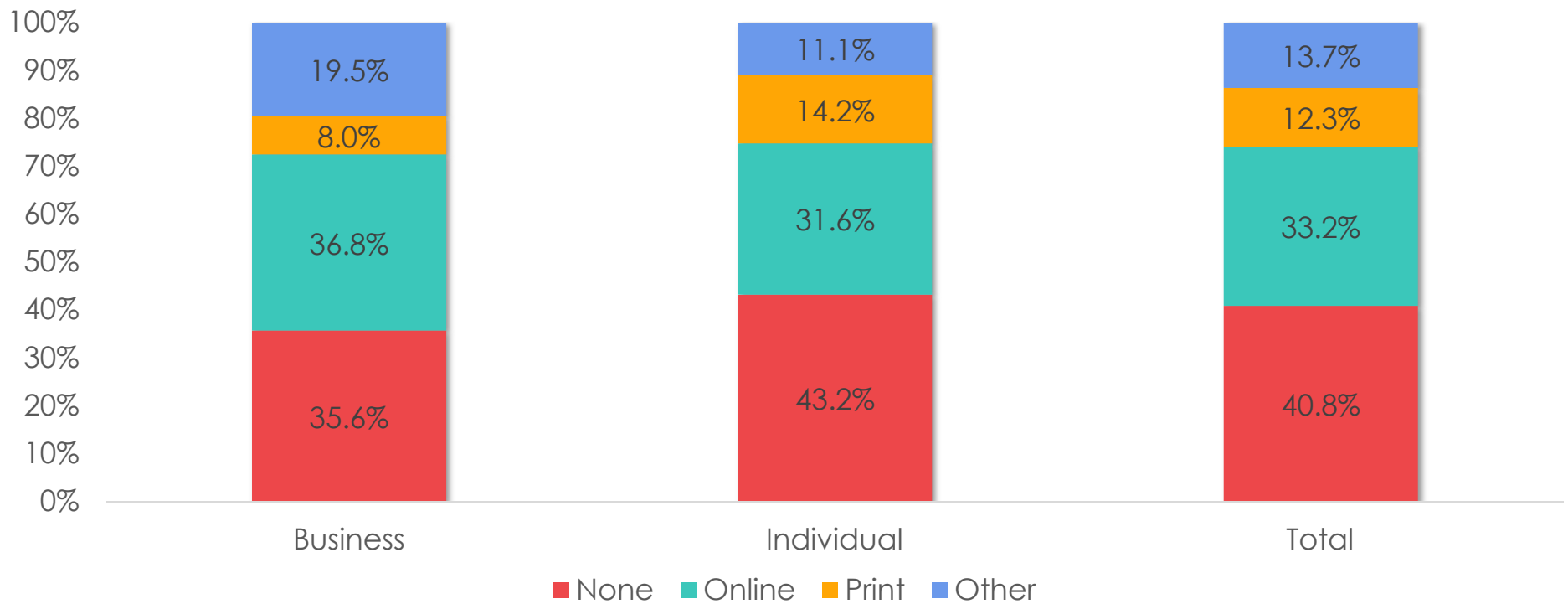


Q: What kind of marketing do you do to attract investor clients? Please select all that apply.



# Biz: online ads; Individuals: print media

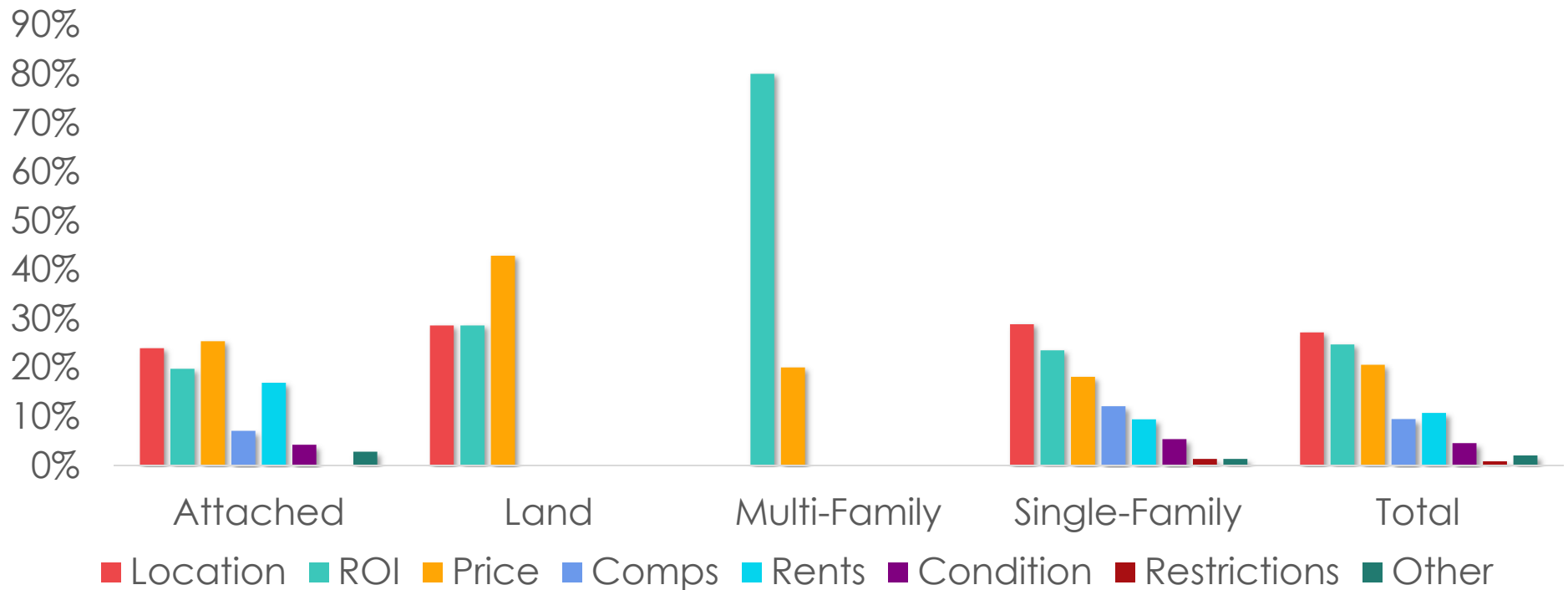
Advertising/Marketing by Medium





# ROI is still an essential piece of information

Essential Information for Purchase Decision

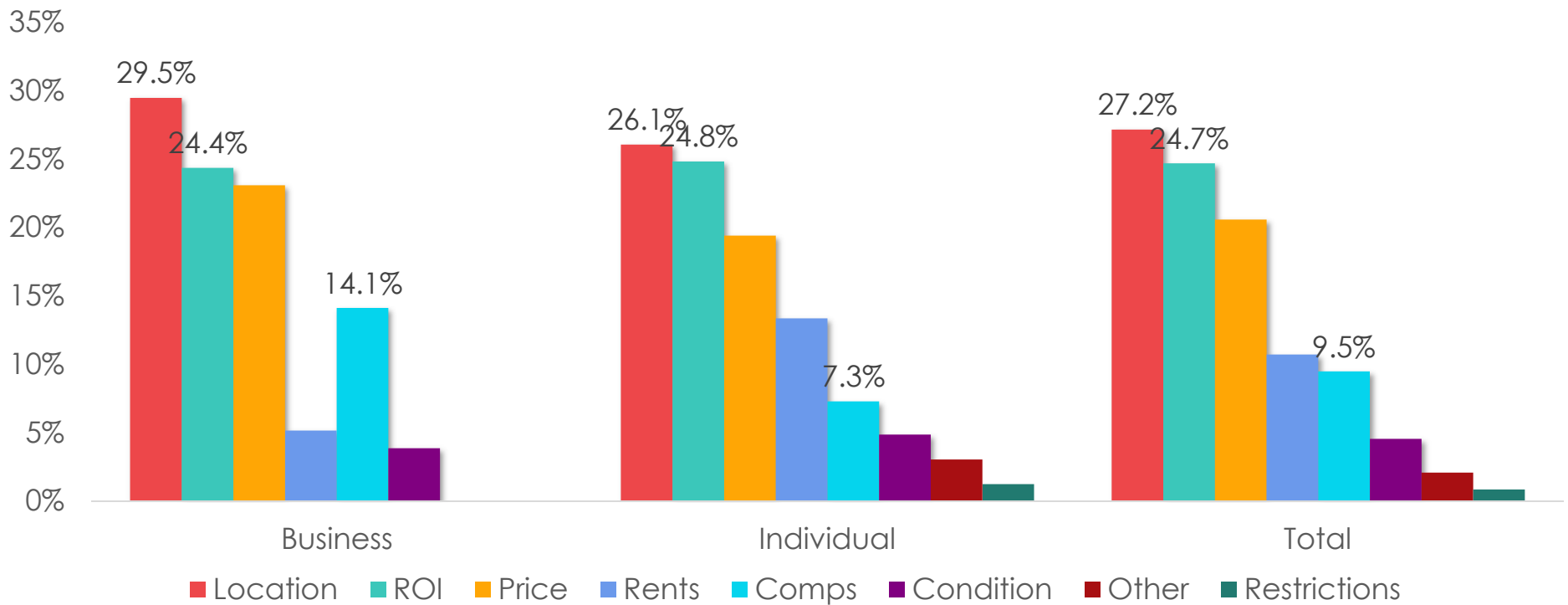






# Business wants to see those COMPS too!

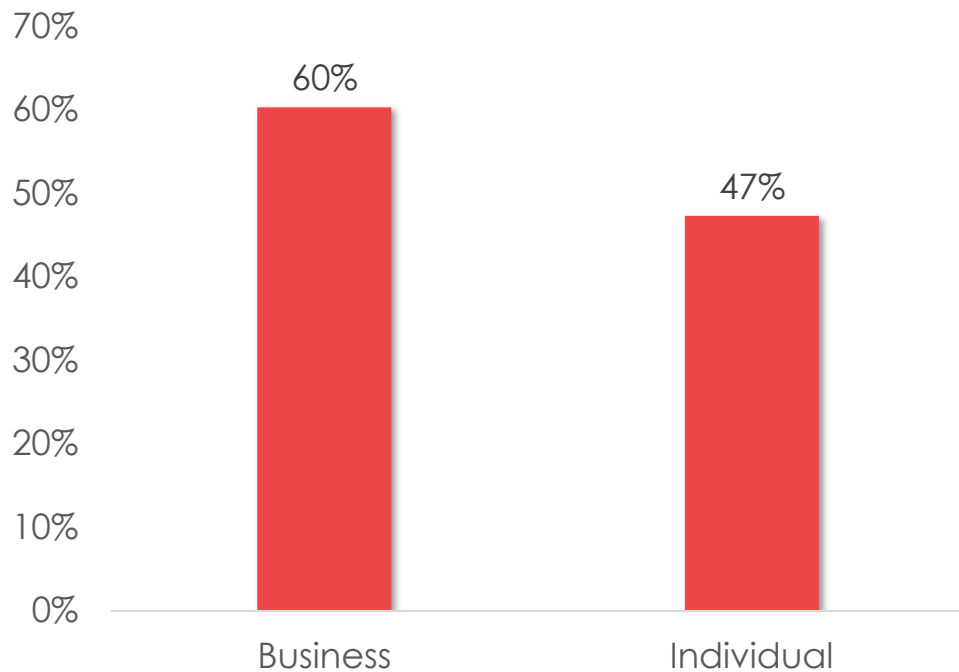
Essential Information by Type of Client



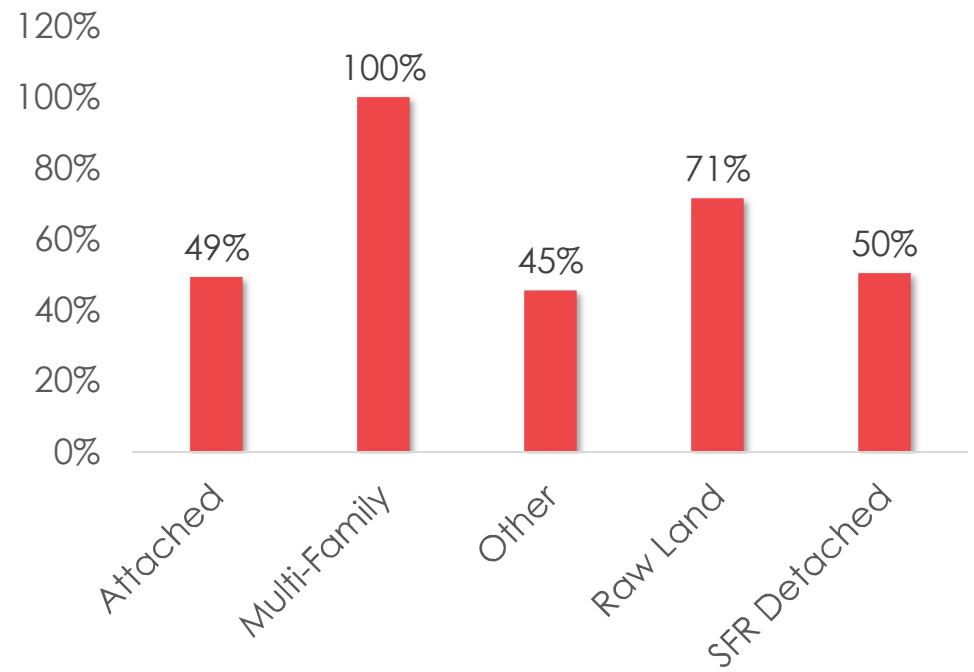


# We'll need to step up the analysis game Especially if you want some big MF deals

% Performing Analysis Prior to Purchase



% Performing Analysis by Property Type



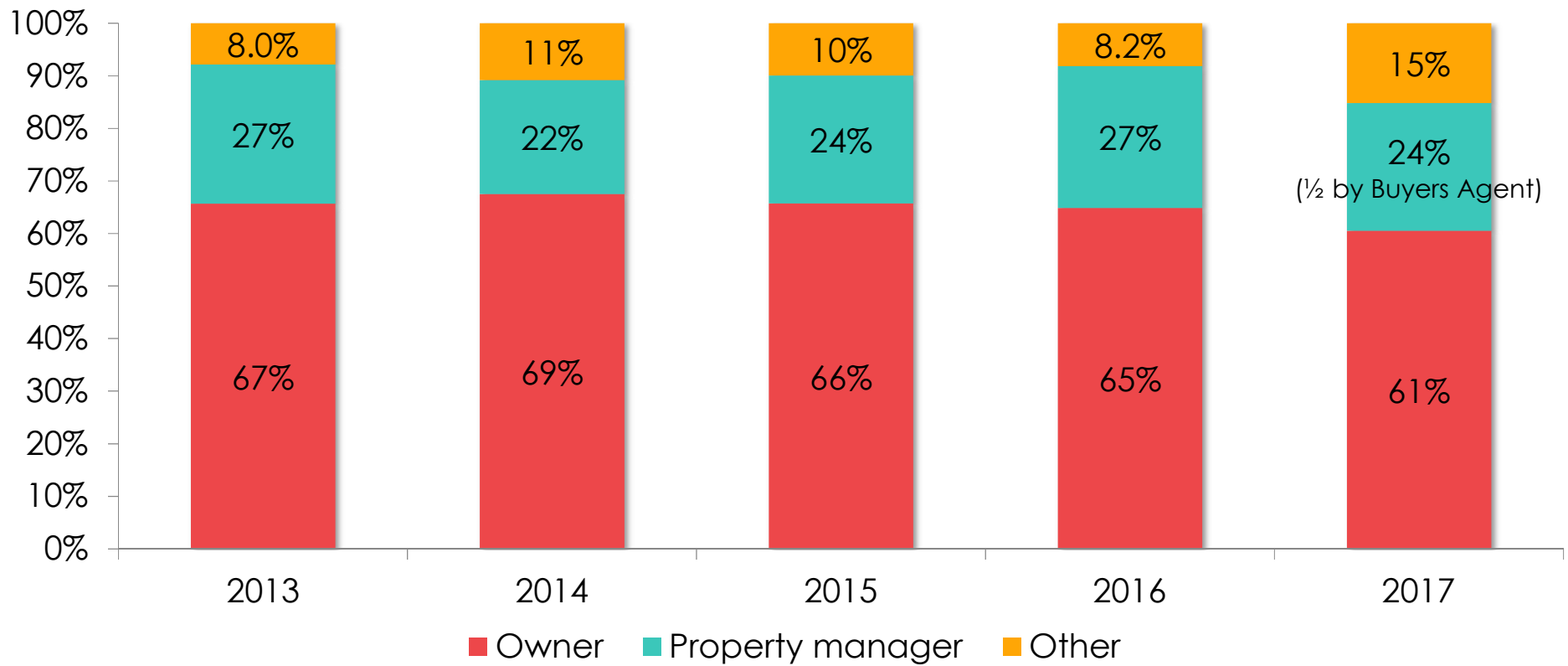


# Opportunities for Property Management Income





# Property management declines w/flipping

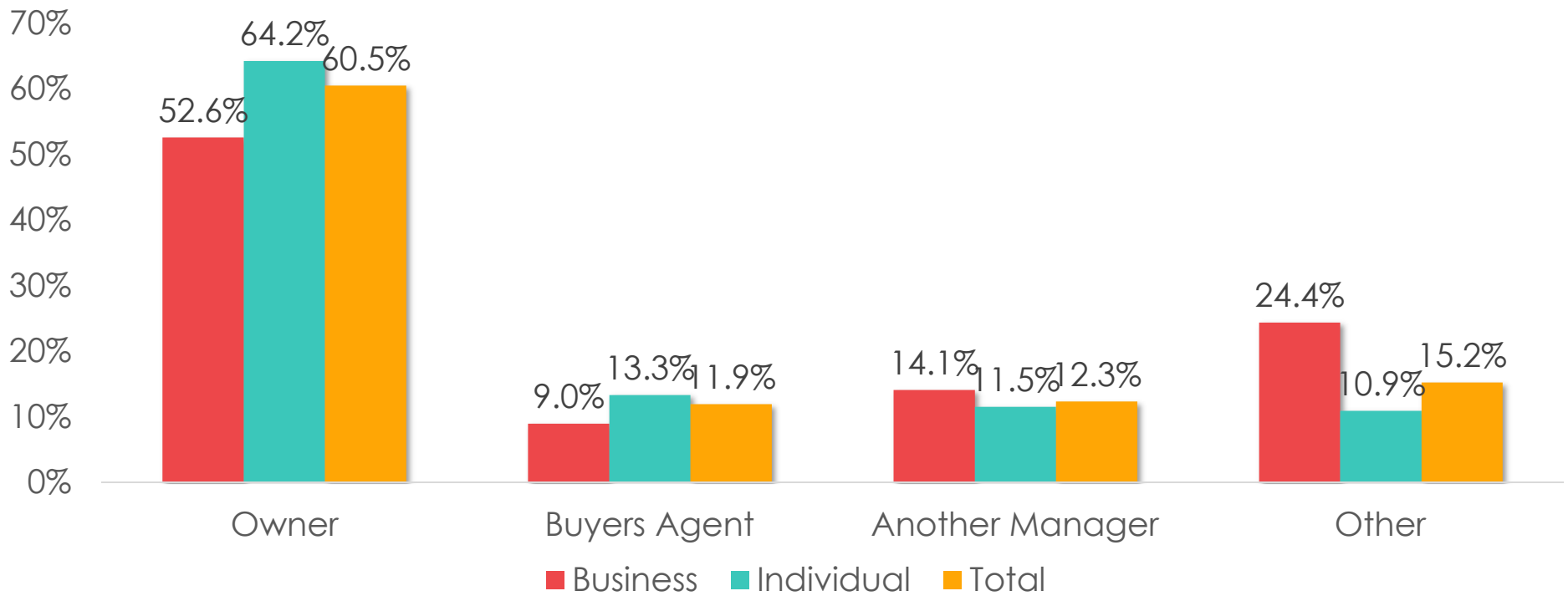


Q: Who will manage the property?



# Individuals more likely to retain you

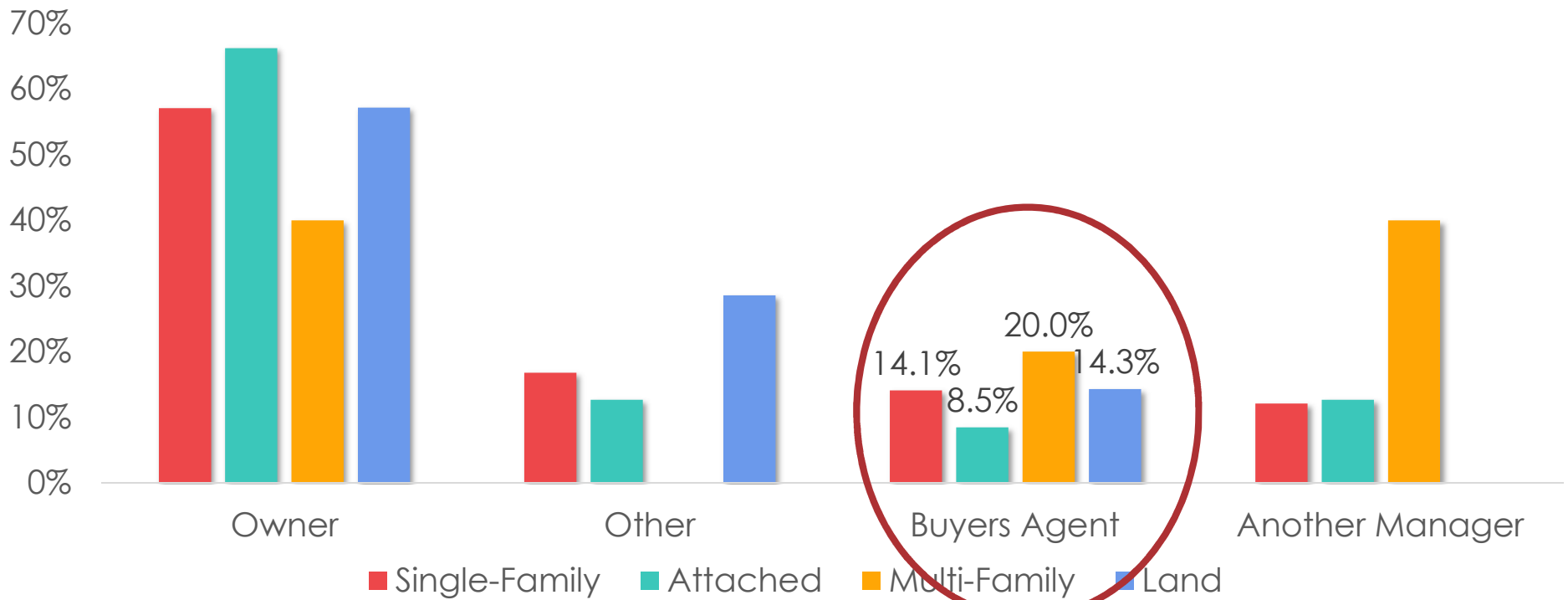
Who Will Manage Property





# More likely to get deal in certain types

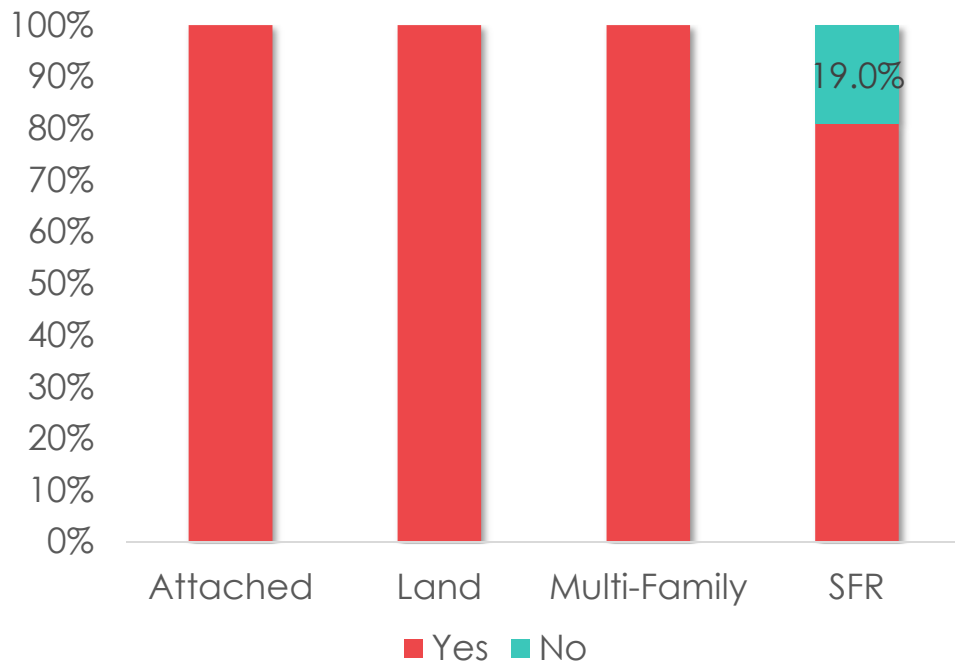
Who Will Manage the Property by Property Type



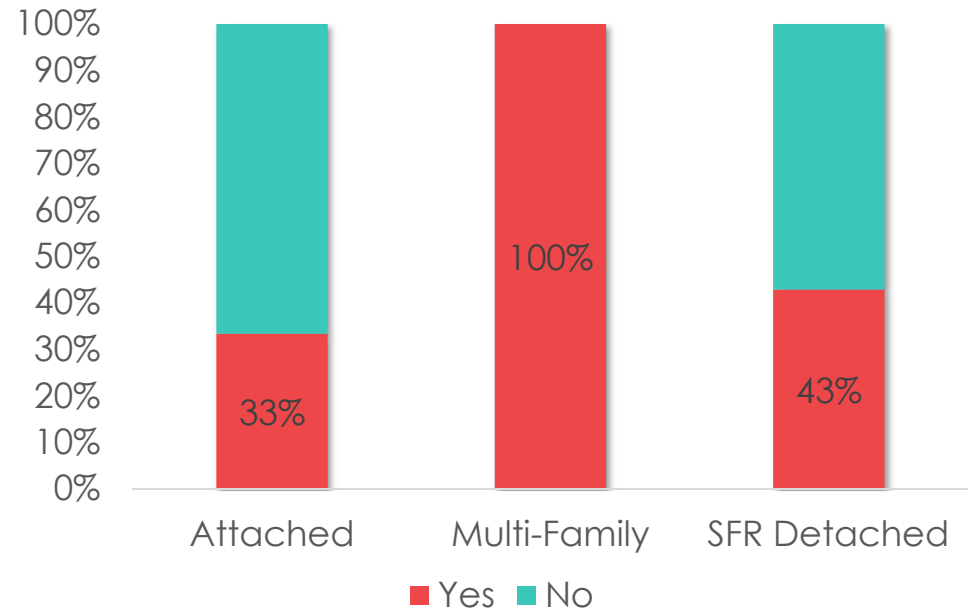


# The management chicken/egg dilemma

Did You Get Management Deal Because You Were Buyers Agent?



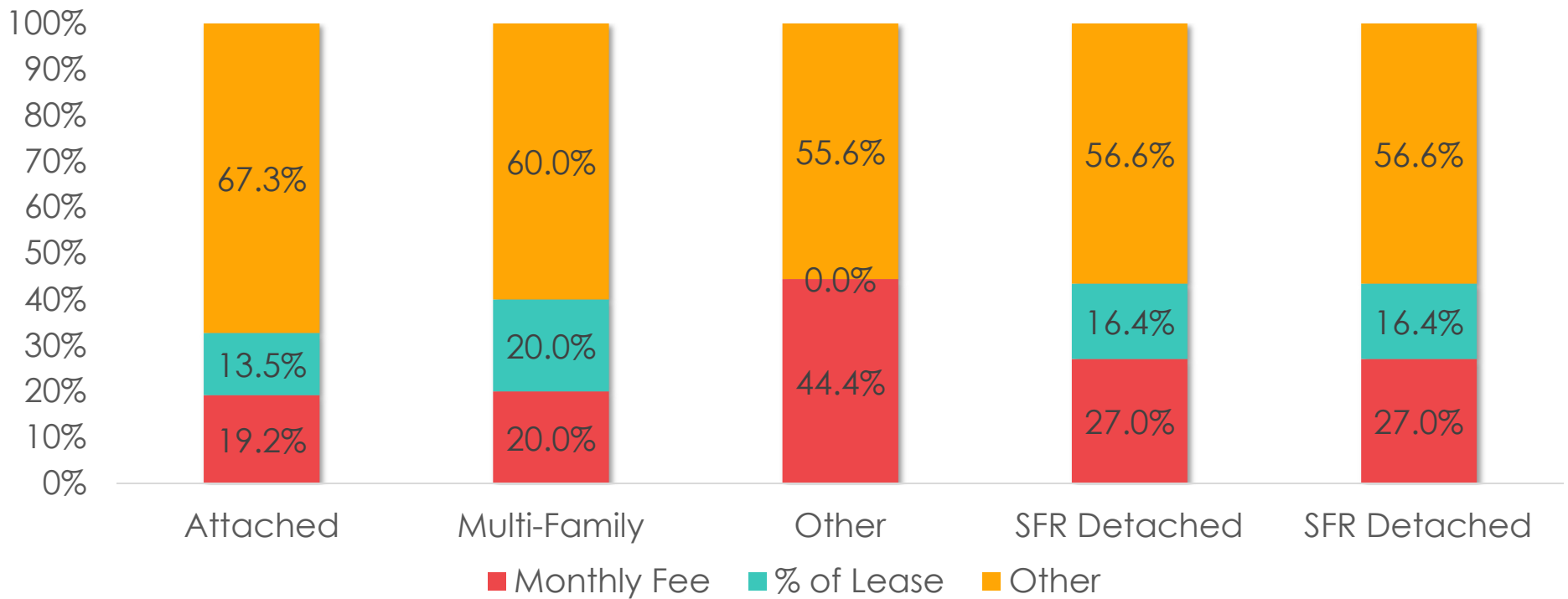
Did You Get the Sale Because You Have Property Management Expertise/Experience?





# Lease percentages less popular

Forms of Payment for Property Management

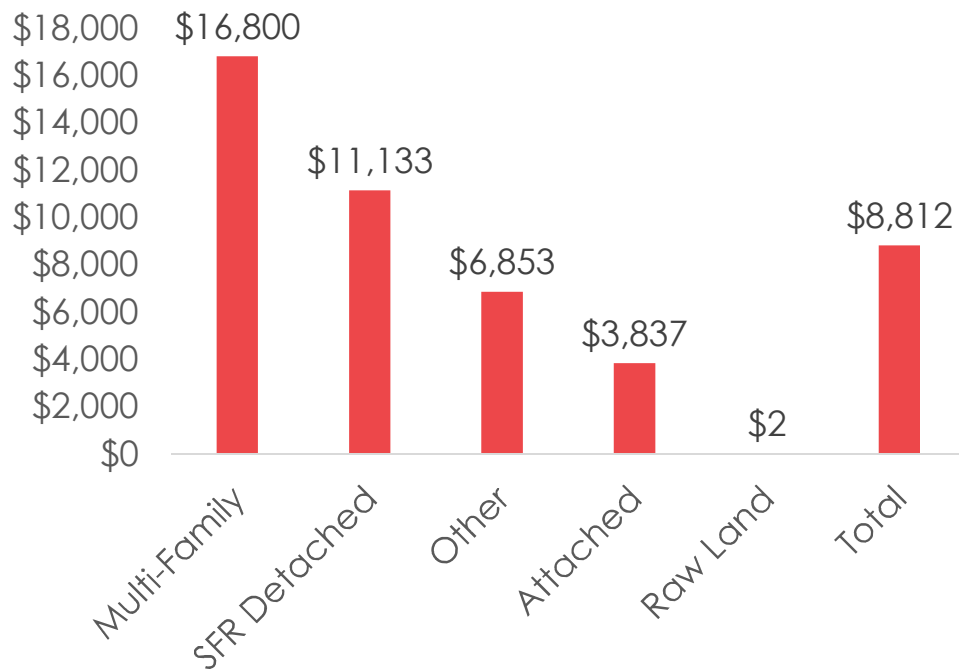




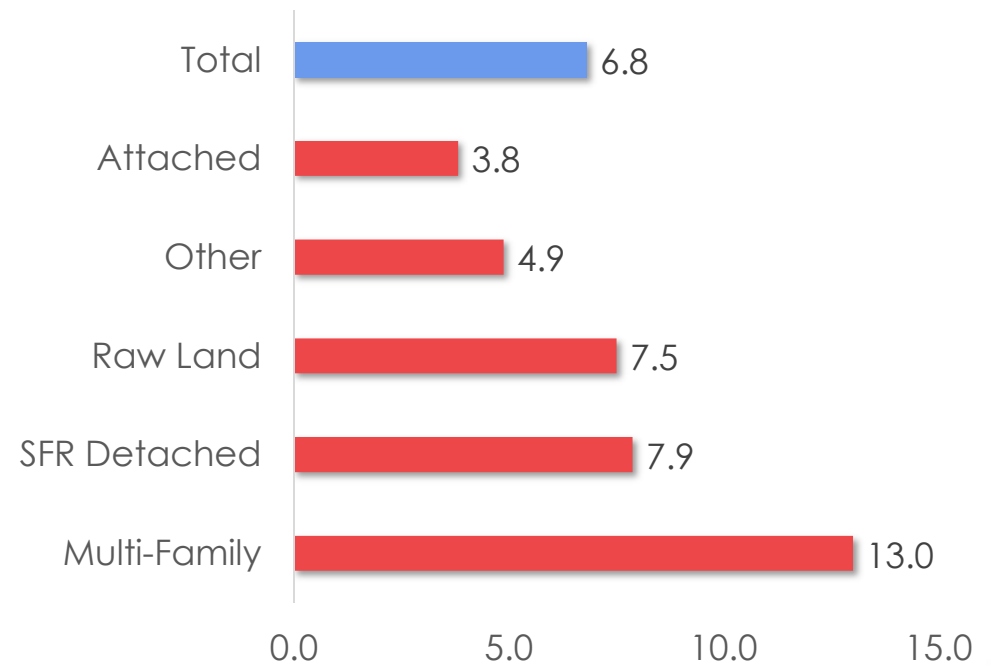


# But good money either way!

### Annual Property Management Income

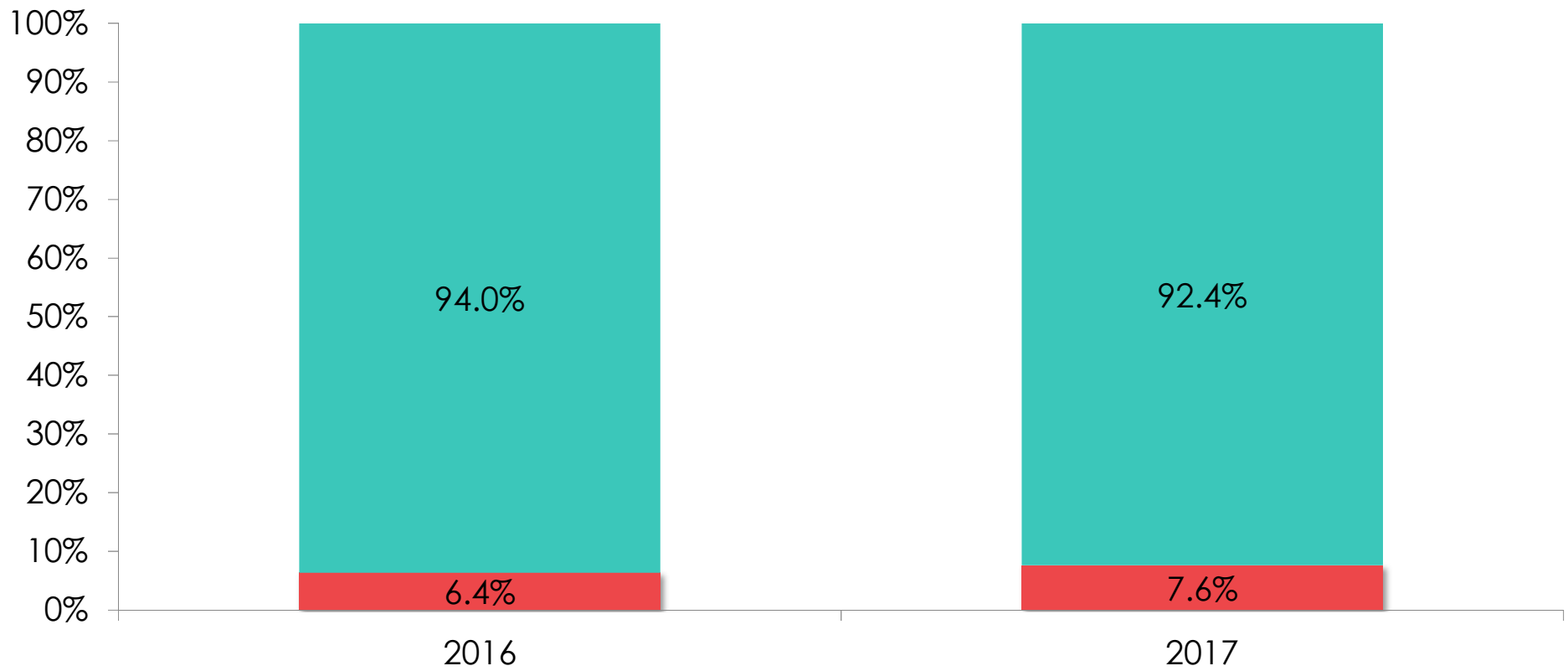


### Percentage of Annual Income Owing to Property Management Income





# Number of rent controlled units is up!



Q: Is the property subject to rent control?



# Wrap-up: investors still out there

- **Investor market still active**
  - More buyers in 2017
  - Real estate still one of the best bets
  - Business getting more involved
- **Some markets doing very well**
  - SFR rentals going strong
  - Job centers still popular
  - Watch the cheaper areas!
- **Investors want returns, but**
  - Also want safety and rents
  - Flippers back for quick buck too
- **Strategically**
  - Still need to be online
  - Who you work with matters
  - Consider property management
  - Investors want and need analysis
  - **CAR** here to raise your game!





# Housing Matters Podcast

[www.car.org/marketdata/podcast/](http://www.car.org/marketdata/podcast/)



# New Interactive Market Statistics

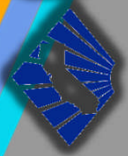
[www.car.org/marketdata/interactive](http://www.car.org/marketdata/interactive)



CARResearchGroup



CARResearchInfo



[Housingmatters.car.org](http://Housingmatters.car.org)



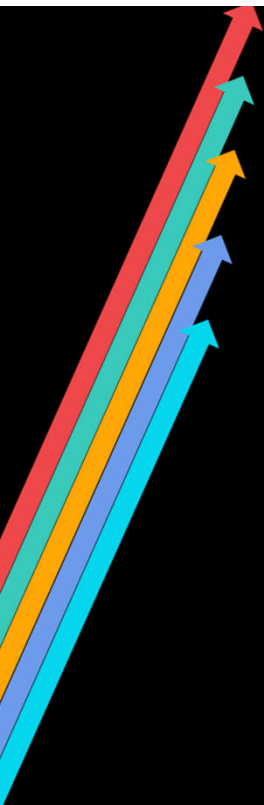
/JordanGLEvine



@JordanGLEvine



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ASSOCIATION  
OF REALTORS®





# Thank You

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Speeches & Presentations  
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[LeslieA@car.org](mailto:LeslieA@car.org)