

# Housing Market Breakdown:

## XONEX Relocation's Destination and Origin Markets

TOP

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and Rebecca McKinney, CRP

A publication of

**XONEX**<sup>®</sup>

Relocation at the speed of life.

# Housing Market Breakdown: XONEX Relocation's Destination and Origin Markets



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# INTRODUCTION

It doesn't seem like it was that long ago when we were lamenting the housing market crash and the fact that no one seemed willing to buy homes. In those years directly after the crash, there really were no buyers – personal wealth had taken a nose dive and lenders were not feeling very warm and fuzzy about home loans. In those years, many sellers were at an enormous disadvantage. Not only did their homes lose value, but some were underwater and there was no end in sight without willing buyers. As a nation built on, and proud of, consumer confidence and housing market trends, our collective depression over the bleak outlook quickly matched the plummeting numbers.

Today, things are different. According to CNBC, we don't have a buyer problem anymore. We have a seller problem!<sup>1</sup> The market is lagging due to a lack of supply. With home starts lagging and equity still not at a level where sellers are ready to let go, balance is hard to come by.

At the same time, with fewer people able to buy due to lack of inventory or financing, more people are renting. Consequently, rental rates are skyrocketing around the country making it difficult for first-time buyers to save – or, in our world, corporate transferees to find short-term housing.

Perhaps it's the nature of the pendulum, but the 180 degree change is a national challenge.

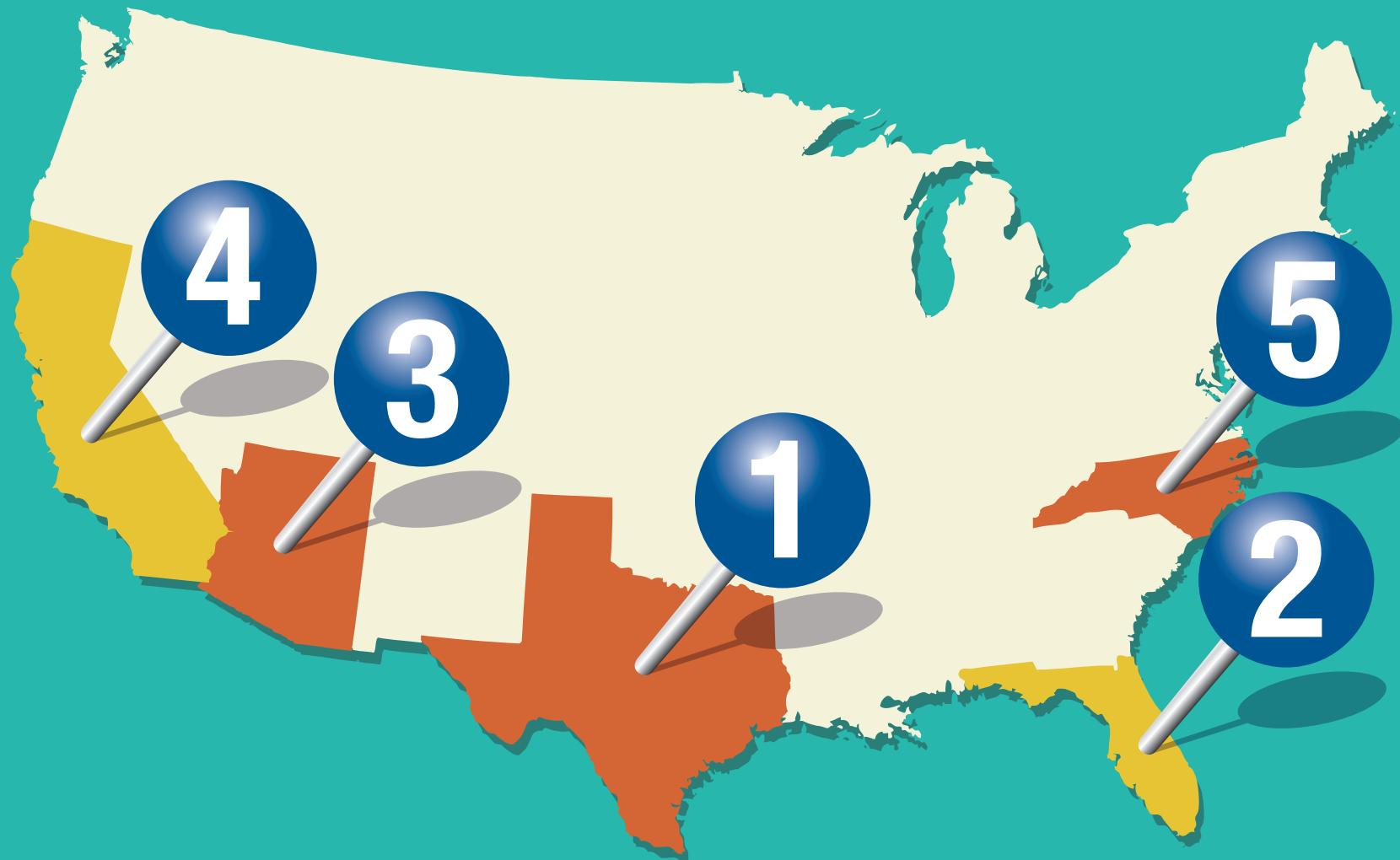
At XONEX, we do follow national trends, but we are more concerned with the local markets. As we move thousands of transferees around the country every year, it's imperative that we have a sense of the cities and states we touch regularly so that we can advise our clients based on their specific needs.

That's why this year we decided to take a closer look at our 2015 top five destination markets, and top five origin markets. We are excited to share the analysis with you for this spring's eBook.



# Top 5 Destination City Housing Markets

Since the national trend indicates more buyer challenges, we will start with a look at our top five destination markets and the home buying and rental trends therein. Our top five markets in order by volume include: **Texas, Florida, Arizona, California and North Carolina**.





**57,818 homes**  
were sold in Texas in the  
first quarter, a  
**4.16 percent increase**  
over the same quarter  
last year.

## Buyers Be Ready!

Texas is a seller's market, so buyers should be prepared to move quickly if they see something they like! 57,818 homes were sold in Texas in the first quarter, a 4.16 percent increase over the same quarter last year. But, this also means inventory is dropping, which can present a challenge to buyers, especially in real estate off seasons. In fact, monthly housing inventory continued to drop in the first three months of 2015, falling to a new all-time low of 3.1 months – an 8.82 percent decrease from a year ago.<sup>2</sup>

Consequently, prices are going up. According to Texas Real Estate, the first quarter of 2015 saw a 7.8 percent increase in median home prices compared to a year ago.<sup>3</sup>

"Texas is a booming business center right now – there are a number of corporate sponsored group moves coming into the Dallas/Fort Worth area. These waves of buyers are adding a layer of complexity and competition to the market," said Deb Borell, Vice President,

Director of Relocation & Business Development, Allie Beth Allman & Associates. "Further, since there is a lot of in-and-out activity in Texas, transferees who are relocated every few years, need to make a wise purchase decision and buy a home that will attract the most buyer pool."<sup>4</sup>

Ultimately, buyers should expect multiple offer scenarios and increasing home pricing in the major urban centers, such as Dallas/Fort Worth. This is a market where buyers will need to be strong in order to be selected. If someone needs to buy and they see the home that appeals to them, they should move on it quickly. At the same time, it's also important that buyers do their due diligence. Home condition is important and those that are priced well, and in good condition, tend to go under contract quickly.



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## The Rental Market is Tight

As in many markets across the country, the Texas rental market is on fire. This is good for landlords and investors, but expensive for relocation transferees. According to the Star-Telegram, apartment rents reached an all-time high last year, with rents rising 4.9% in 2014.<sup>5</sup>

From an anecdotal perspective, we are seeing rentals in desirable neighborhoods going quickly. There are also not enough larger rentals for families who need more than two bedrooms. Further, finding pet friendly locations (especially for multiple pets) is becoming more difficult as landlords realize that they can be more selective about tenants. We do relocate a lot of transferees to rural areas as well – and we are finding it tough to find rental options in remote locations. As such, our experts here at XONEX advise that companies offer a home finding trip at least six weeks prior to moving because it's going to take time for transferees to find suitable accommodations. In this market, we suggest home finding trips last at least four days to try to secure a future home. If there is no home-finding trip offered, companies should be prepared to offer temporary living benefits for at least 21 days.

According to the StarTelegram, apartment rents reached an **all-time high** last year, with rents **rising 4.9%** in **2014**.



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The under  
**\$400,000**  
**market**  
is the most active segment  
of the market and  
**median**  
**prices have**  
**dropped 4%**  
during the past year.

## Fair Purchasing Deals to Be Had in Florida

According to Florida Realtors®, Florida's housing market reported more closed sales, higher median prices, more new listings, fewer days on the market and a slight uptick in inventory during the first quarter of 2015.<sup>6</sup>

Buyers will be glad to hear that the price appreciate experienced over the past several years has slowed down tremendously. The under \$400,000 market is the most active segment of the market and median prices have dropped 4% during the past year. As more inventory hits the market, we will continue to see pricing pressure on the sellers. As such, for buyers, Florida is looking pretty good right now. Interest rates are still low, inventory is good and banks are loosening lending practices making it easier to obtain a mortgage.

That said, even though it is a buyer's market today, there are some challenges. Finding mid-range homes is becoming more difficult as move-up buyers are starting

to hit the market. There has also been an increase in multiple offer scenarios, so buyers may find themselves in a bidding war for select properties. We anticipate that the Florida market will shift to a seller's market by next year, so transferees should act now while the market seems to be even with supply and demand.

Companies who are relocating transferees to Florida will find that a general relocation package, including an orientation tour with a Realtor®, will greatly benefit transferees. It's very important that transferees know about the different areas in Florida, especially as it pertains to school districts and commute times, before purchasing a home.

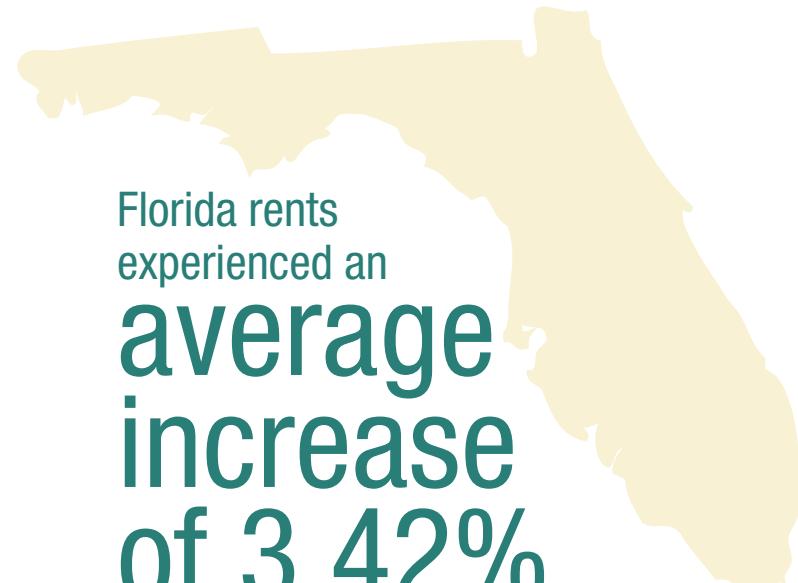


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## The Rental Market is Manageable

During the month of April 2015, Florida rents experienced an average increase of 3.42% for 1 and 2 bedroom rentals. Surprisingly, 3, 4 and 5 bedrooms apartment rentals, as well as house rentals, remained flat. When compared with same month of last year, rents saw an average increase of 6.64% for 1, 2, 3 and 4 bedroom rentals while 3, 4 and 5 bedrooms house and apartment rents were unchanged.<sup>7</sup>

There is, however, a lack of short-term corporate housing. Companies that are relocating transferees to Florida who need temporary living accommodations should understand that finding temporary living may take a little longer and come with a greater expense.

A light yellow silhouette of the state of Florida is positioned on the right side of the slide. Overlaid on the map is a large, bold, teal-colored text block containing the following information:

Florida rents  
experienced an  
**average  
increase  
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May 2015 began with  
**21,561**  
**active**  
**listings,**  
which is down  
**17.8%**  
year-over-year from  
May 2014 when there  
were 26,245 actives.

## Growing Pains in Arizona May Be Good for Buyers

Arizona is faring better today than it has been for the past few years, but the market is still stabilizing. According to Tom Ruff of the Information Market, sales for the first four months of 2015 are 9% higher than sales for the first four months of 2014 and this trend is expected to continue. However, May 2015 began with 21,561 active listings, which is down 17.8% year-over-year from May 2014 when there were 26,245 actives.<sup>8</sup> So, there are still highlights and low lights as the market stabilizes.

That's not to say we don't expect activity to pick up. People relocating to Arizona typically schedule their home shopping trips in April because, if they are living in states with harsh winters, they must wait until spring to list their homes for sale. Therefore, if they are relying on the sale of a home to purchase, many come to Arizona after April to find a home.

The good news is that buyers can look forward to higher quality inventory. Our sources note that distressed sales are trending downward. Homes listed under \$300,000 with appealing upgrades

and a move-in ready condition are getting multiple offers within the first few days on market. Most home buyers, regardless of age or price range, are looking for turn-key homes. This can be frustrating for people relocating to the area in this price range as many of their favorite homes go under contract before they get here to go home shopping. And, if they have FHA financing, it can be especially hard to get an offer accepted over offers from all cash buyers or buyers with higher cash down payments. Entry-level buyers are currently underserved in the Arizona market.

"It's critical that your relocation company works with Realtors who live in and know the area where the transferee is interested in moving. The markets in Arizona are very subdivision oriented, with many Homeowner's Associations, so each community or town has unique characteristics and growth trends," said Kelli Grant, West USA Realty. "One subdivision could have homes between \$300,000 - \$400,000 and, across the street, the homes sell for \$200,000. Your buyer must carefully do sales comparables before making an offer."<sup>9</sup>



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## A Sweet Spot for Rentals

According to a recent ranking by Forbes, Phoenix cracked the top 10 for most affordable places to rent. With an average monthly rent of \$823, Phoenix tied for eighth most affordable city for renters. That \$823 a month average looks great compared with the region's average mortgage payment of \$1,114.<sup>11</sup>

During the month of April 2015, Arizona rents experienced an average increase of 2.34% for 1, 2 and 5 bedroom rentals. Still, 3 and 4 bedroom apartment and house rents remained flat, when compared to the previous month. When compared with same month of last year, rents saw an average increase of 6.11% for 1, 2, 3, 4 and 5 bedroom rentals.<sup>12</sup>

According to a recent ranking by Forbes,

**Phoenix cracked the top 10**  
for most affordable places to rent.



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# CALIFORNIA

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For homes priced in between  
**\$350,000-\$750,000**  
there is less than two months of supply.

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## Housing Swagger Returns

California was one of the hardest hit states during the housing market crash but that didn't last long. The state is on an upswing and may be cost prohibitive for some buyers. According to Zillow, the biggest price gains over the next year will occur in California and the Southwest. The company's forecasting tool is expecting double-digit increases for a handful of cities in California and the Southwest.<sup>12</sup>

And, our sources in California agree. California has flipped to a seller's market. While it's good to see home prices bouncing back in the state, it has become problematic from a purchasing perspective. Realtors on the ground in Northern California, for example, don't see any positive trends for buying in California. For the most part, homes are expensive and inventory is tight. Southern California is experiencing the same – there is,

on average, less than one month of inventory supply for buyers seeking homes under \$350,000. For homes priced in between \$350,000-\$750,000, there is less than two months of supply.<sup>13</sup>

Transferees looking to buy in California should get pre-approved as soon as possible and act quickly on a home they like. It's important that they are also prepared to face multiple offer situations and bidding wars. For this reason, transferees should have access to Realtors who understand the market dynamics, as well as the time frame requirements that transferees often face. It's critical that transferees buying in California have access to a Realtor<sup>®</sup> with experience in difficult negotiations.<sup>14</sup>



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## Rental Market Boxing Out Renters

The California rental market is extremely tight. There is less inventory than last year, and rents have increased. On a positive note, construction for large apartment complexes has increased, although many of them are luxury and higher priced.

There are, however, significant challenges for renters. Inventory is low and rents are high. Because of the tight market, landlords don't need help to find renters for their properties and are therefore reluctant to pay much, if anything, to an agent for bringing them a renter. This presents a big challenge for transferees who do not have paid rental assistance benefits because agents will not spend time helping renters if they are not being paid for their services.

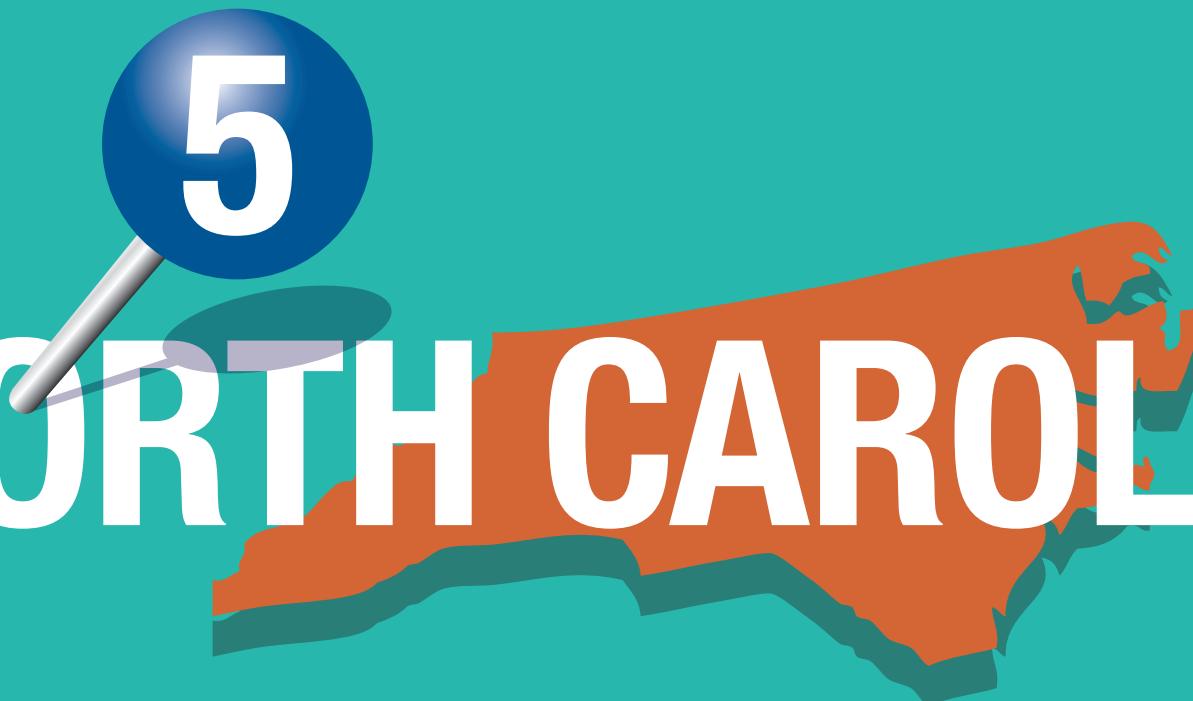
Pets are also a big problem. Again, because of the tight market, landlords can afford to be picky about their renters. They often don't want to accept pets.

Companies with transferees who are looking to rent must provide rental assistance benefits beyond the orientation tour. Transferees looking for an apartment can usually be handled in a day, but families with several children and pets who require a single-family home will need more time.

According to Zillow, the biggest price gains over the next year will occur in

**California  
and the  
Southwest.**

5



# NORTH CAROLINA

Sales are the leading indicator going the second quarter of 2015 and it is the **strongest we have seen the market in a while.**

## Still a Buyer's Market...But Not for Long

According to Zillow, the median home value in North Carolina is \$146,100. North Carolina home values have declined -0.5% over the past year and Zillow predicts they will rise 3.3% within the next year.<sup>15</sup>

Sales are the leading indicator going the second quarter of 2015 and it is the strongest we have seen the market in a while. This is mostly because buyers are feeling much more confident as mortgage financing is more obtainable. Our sources say that affordability and access to financing is on a positive swing.

That said, like many markets, there are some challenges that could top North Carolina towards being a seller's market in the near future.

"Finding housing can be tough because inventory is so low. Buyers cannot wait on a home they like – multiple offers are becoming the norm as competition is fierce. Consequently, sellers are starting to gain leverage on pricing," said Karen Jackson, CRP Vice President of Operations, Allen Tate Relocation and Corporate Services.<sup>16</sup>

Companies that have transferees who are looking to buy in North Carolina should set transferees up with a quality Realtor who has a lot of experience in tough negotiations.



## Renters Finding North Carolina Pretty Sweet

According to Zilpy, the median rent price for all rentals in North Carolina is \$1,035. During the month of April 2015, North Carolina rents experienced an average increase of 1.81% for 1 and 2 bedroom rentals and an average decrease of 1.45% for 4 bedroom rentals. Three and 5 bedroom apartment and house rents remained flat, when compared to March 2015. When compared with same month of last year, rents saw an average increase of 3.56% for 1, 2, 3, 4 and 5 bedroom rentals.<sup>17</sup>

All in all, rentals are widely available and not cost prohibitive. This is one of the few hot markets in the country where rent is not only manageable, but pretty ideal for most people.

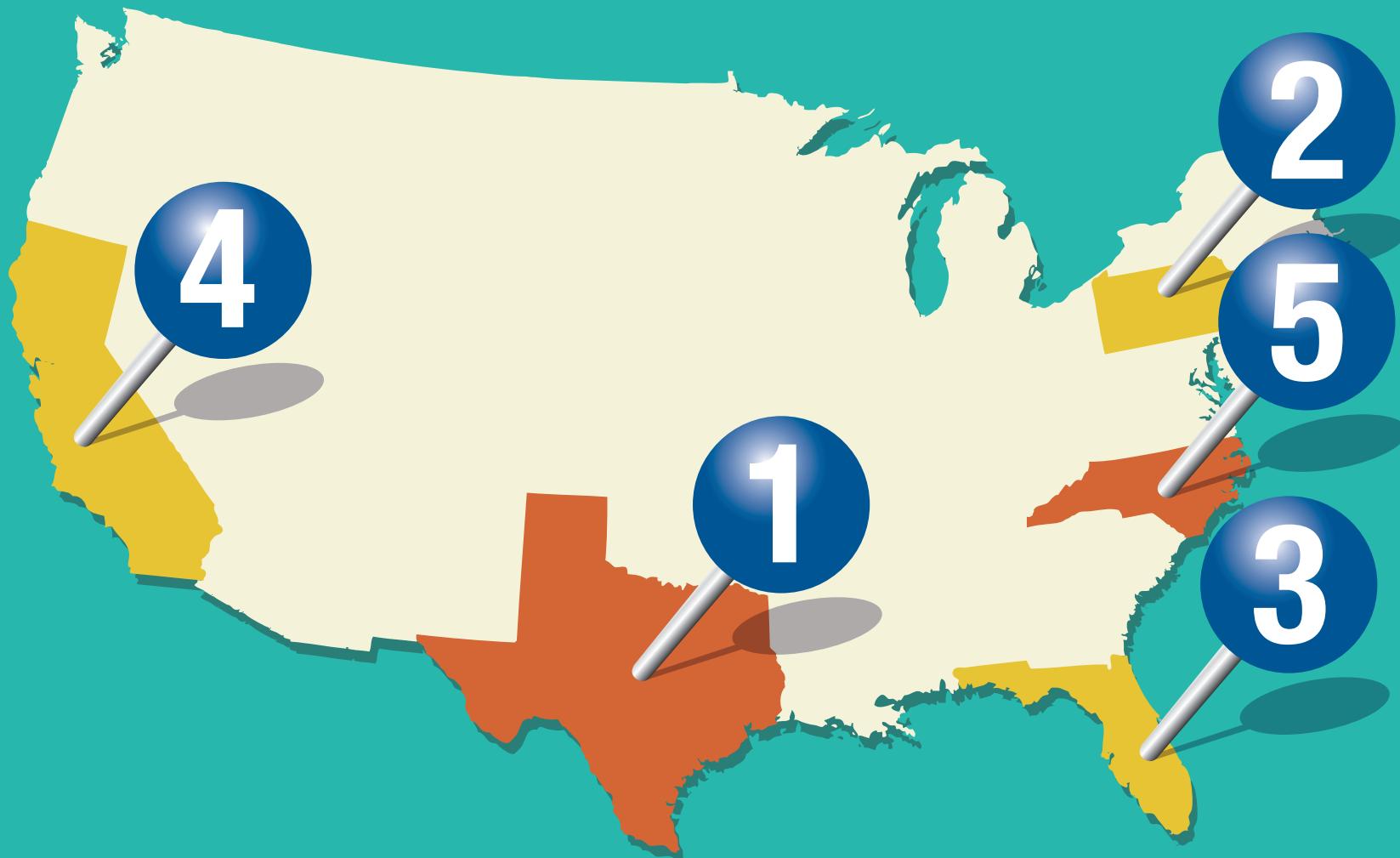


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# Top 5 Origin City Housing Markets



Now, let's take a look at the sales side. Unlike recent years, transferees who are selling their homes may be sleeping a little better this time around. Without further ado, our top five origin markets by volume include: **Texas, Pennsylvania, Florida, California and North Carolina.**



Texas, most notably Dallas/Fort Worth, is definitely a seller's market.



## Sell, Sell, Sell in Texas...and with Confidence!

It's no secret that the Texas housing market is on fire right now. The Dallas/Fort Worth market is, in particular is doing very well. It is probably one of the best markets in the country right now.

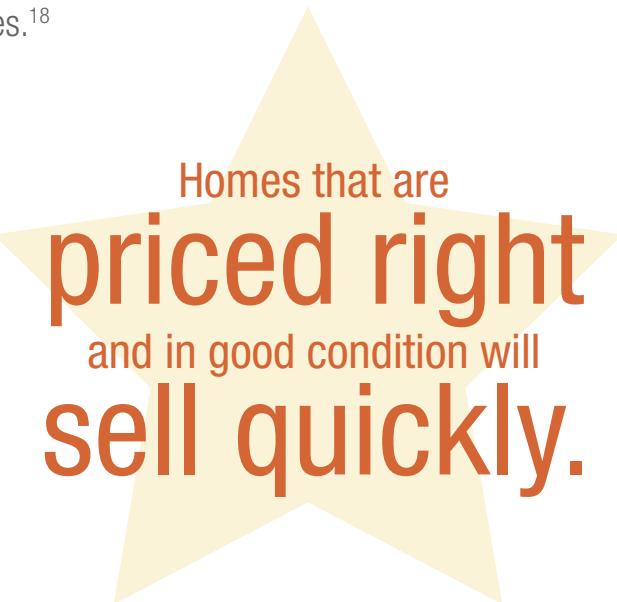
Texas, most notably Dallas/Fort Worth, is definitely a seller's market. Companies want to be in Texas and are moving more people to the state, which we see in our own trends with XONEX clients. Further, because business is booming, people see Texas as having a robust job market and are willing to move for employment. These are just a few of the reasons why the housing market is moving at a fast pace.

Of course, when demand largely outweighs supply, inventory challenges abound. From a seller's perspective, however, this is a great news. Homes that are priced right and in good condition will sell quickly.

Transferees who are looking to sell their homes should have a relatively easy time of it. Still, it's important that they are supported with a good home marketing plan. In this area, drive up appeal is

crucial. Front lawns should be well-maintained and welcoming. Also, the home should be clean, well-maintained and staged appropriately for photos.

"I believe this market is one of the best we have seen in the past 5 or so years. Texas is one of the top markets for corporate relocation because it is centered in the U.S. and it's a hot bed for business and industry," said Deb Borrell, Vice President, Director of Relocation & Business Development, Allie Beth Allman & Associates.<sup>18</sup>





# PENNSYLVANIA

Pennsylvanians have experienced a spring market that has been  
**one of our best in the past 7 years.**

## Pennsylvania is Bouncing Back!

According to Berkshire Hathaway Home Services Fox and Roach, the Pennsylvania market is much stronger in volume in both listings and sales. Homes listed below \$500,000, however, are seeing much more activity than above that price range.

"Pennsylvanians have experienced a spring market that has been one of our best in the past 7 years," said Jeri Blechman, Realtor®, Jim DeFrank Sales Team, Berkshire Hathaway Home Services Fox & Roach.

Overall, the days on market are decreasing, there is a stronger demand and buyers are much more confident in the growth of the economy as a whole.

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The under  
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## Florida Still Fair Game for Buyers and Sellers

Out of all the markets on our list, the Florida housing market is the most balanced in terms of supply and demand. Our transferees have not had any issues with selling their homes in Florida. Those transferees selling homes in the mid-range, as opposed to low priced starter homes or million dollar mansions, will be in the best position to sell as there is a dearth of mid-range housing.

Transferees selling in Florida should make sure their homes are priced right according to local comparables and in good condition. By meeting these two requirements, they should have no issues finding good buyers.



Transferees selling in Florida should make sure their homes are **priced right** according to local comparables and in good condition.



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# CALIFORNIA



Even though inventory is up,  
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to a healthy demand.**

## Sellers Have the Advantage in Strong California Market

The home sale market in California is stronger than it has been in years. The number of home sales, the average sale price and total inventory is up from last year. Of special note, even though inventory is up, days on market is very low which points to a healthy demand. For a seller, if the property shows well and is priced correctly, the market time will be short.

Sales price is increasing across the board at a slow to moderate rate. This is a good thing for sellers, but it does come with its challenges. Because prices are going up, appraisals may come in below the agreed upon sales price. This may impact financing and, in a relocation appraisal situation, discourage transferees from selling the home.

Companies that offer home selling relocation benefits to transferees should only use Realtors who are experienced in relocation and have consistent production.

"A higher level of Realtor® experience is important because the California real estate contract and addendums are extensive and complicated," Claire B. Clark, Sr. V.P. of Relocation Services Berkshire Hathaway Home Services warns. "Also, even though the home sale market is stronger than it has been in years, sellers who don't want to be on the market long must price homes aggressively and based on recent closed comps. Further, prepping the home for sale and ensuring that it is in good condition will shorten days on market."<sup>20</sup>



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# NORTH CAROLINA

Overall, the first quarter in  
2015 was much stronger

than first quarter 2014, mostly due to better weather.

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## North Carolina is Normalizing

Our sources predict that 2015 will return North Carolina to normal market performance with a 3%-4% appreciation. Overall, the first quarter in 2015 was much stronger than first quarter 2014, mostly due to better weather. April and May are especially strong months for real estate, so the second quarter should be dynamic and possibly comparable to the 2013 market, which was notably strong.<sup>21</sup>

The challenges in North Carolina are similar to other markets. There is not a lot of active listing activity, so sellers have an opportunity to set aggressive prices. These prices may not be consistent with appraisals, which can add a layer of complexity to financing. But, since it is currently a strong seller's market, any properties that are priced right and in good condition will move – sometimes even with multiple offers.

For transferees who have to sell quickly, we would still suggest pricing that is consistent with the comps. While there is some room for bullish pricing, transferees should not miss opportunities to sell quickly so that they can move on to the next location.

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### **About XONEX Relocation**

XONEX Relocation is a third party relocation services company that offers the right solutions for corporate clients – solutions that meet the demands of relocating families in today's hectic business climate.

We help corporate America move their valuable talent with minimal interruption and maximum satisfaction for everyone involved in the relocation process. Our knowledgeable and caring staff combine cost transparency with creativity to structure benefit plans that are sensible and targeted to each client's needs.



Relocation at the speed of life.

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