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AUGUST 2019

INLAND VALLEYS REALTOR®

THE OFFICIAL PUBLICATION OF THE INLAND VALLEYS ASSOCIATION OF REALTORS®

Efforts to Roll Back Prop 13 in California Moving Toward November 2020 Ballot

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AUGUST 2019

Table of Contents

COLUMNS

Inman Connect Helps to Demystify iBuyers and Make Better Use of Social Media

JESSE STREETER,
2019 IVAR PRESIDENT

In the past few years, every corner of the real estate industry has gained some level of fixation on the concept and then deployment of iBuyers into our markets. Are they simply repackaged flippers and investors – the digital version of the signs on light poles and off freeway offramps? Or, as others argue, are they something much more notable, armed with technology, new methods and loaded with data that changes our concept of consumers?

The answer at Inman Connect Las Vegas was, on various levels, yes.

In July, I had the opportunity to attend Inman Connect Las Vegas with our CEO, Mark Dowling and our President-Elect, Donna O'Donnell. The event attendees included thousands who have made careers in real estate or are working to innovate the marketplace, including top-producing agents from all over the country, executives of multiple listing services, tech entrepreneurs and marketing gurus.

Inman Connect is a twice yearly residential real estate event that bills itself as "a weeklong exploration of the present and future of the industry, featuring inspiring speakers, engaging conversation, and A+ networking." The event stood up to the hype.

The biggest elephant, in a room full of elephants, was the headlined iBuyers. I wanted to share with you a few key takeaways about iBuyers and what they mean to our business.

iBuyers are investors. Not repackaged versions of the same investors we have known, but investors nonetheless with updated methods of finding property, closing fast and cheap and turning the property over for profit.

That definition is a start, but it's important to become more familiar.

New iBuyer companies seem to be sprouting up every day in different markets across the country. As agents and brokers, we need to educate ourselves about the iBuyers in our markets. Who are they? What do they do? What do their offers consist of?

Try getting some offers from them on your own home and compare that to what you could sell it for on the open market. Once we have educated ourselves, then we need to educate our spheres of influence about those companies. Our clients have questions, we need to be the ones with the answers.

We all know that for various reasons some sellers are willing to take a fast and easy offer, even if it is below market value. According to one study discussed at Inman Connect, most homeowners who sell to an iBuyer end up with 10% to 12% below fair market value after fees, expenses, etc. Why not be the expert to help them navigate which one to choose? After all, some iBuyers offer buyer's agent commissions.

Also, if a seller is willing to take a fast and easy offer, why not get your own investors in the mix to give your clients the highest and best offer that you can under the circumstances they are in?

In the end, iBuyers bring demand for housing and money to the table. With the benefit of an experienced, smart, real estate expert as their agent, that shouldn't become a disadvantage to your clients.

PAUL HERRERA,
GOVERNMENT AFFAIRS DIRECTOR

Efforts to Roll Back Prop 13 in California Moving Toward November 2020 Ballot

Next November, voters are likely to face a choice to roll back the landmark 1978 tax limiting law known as Prop 13. The new initiative would seek to remove significant aspects of Prop 13 protections from business-owned property, resulting in an estimated tax increase of $10 billion annually.

The initiative would allow residential property to remain under current Prop 13 protections and would also limit increase on some small businesses, provided that they own the buildings from which they operate.

Should the initiative appear on the ballot in its current form, the resulting tax increase would be the largest in California's modern history. It would eclipse the last major tax hike – 2012's Prop 30. That tax increase, billed as a temporary emergency measure to get through economic collapse but later extended in a strong economy, amounted to about $8.5 billion in new money for state and local governments.

To explain the impact of the proposed initiative, it's important to remember how Prop 13 limits taxes on homeowners and businesses. The initiative set a cap of a 1 percent annual tax rate on the value of property and fixed a property's value to the resale price when it was acquired or to the new value following construction or significant remodeling.

It allowed for the taxable value to increase, but no faster than 2 percent annually. The argument, particularly for homeowners, was that taxes were rising much faster than inflation. While they could afford the taxes when they purchased the property, they were quickly being taxed out of ownership by what was effectively a fast-rising government rent on the property they owned.

Real estate appreciation is, after all, paper wealth that does nothing for the owner's checking account unless they sell. Without Prop 13, the average California property tax payer would have seen their bill roughly double from 2003-2007, even though their property would then fall below 2003 levels and remain there for the better part of a decade. Their tax bill would readjust as the market fell, but their tax payments, inflated by a housing bubble that they likely did not benefit from, would have simply been a boon for state and local government.

The split roll initiative would remove this tax protection from most California employers. Commercial property would be reassess regularly rather than on the basis of purchase price or significant construction and

continued on page 5

continued from page 4

improvements. Businesses that have owned their building for decades would face tax spikes. How that impacts their ability to maintain a workforce or manage a business in California is difficult to assess.

To be sure, there are some benefits that businesses get that homeowners don't. For one, businesses don't have high blood pressure, bad cholesterol or risk for diabetes. They may very well be immortal (though statistic show that if they were humans, they typically wouldn't make it to kindergarten).

Second, and more important, even moderately decent lawyers and accountants can evade tax reassessments even when they should apply.

This second one is a very reasonable argument for edits to Prop 13 that has support from, among others, the California Association of REALTORS®. However, it does not generate $10 billion-plus annually and hasn't gained favor from those interested in the broad-based tax increase potential of Prop 13.

There's no guarantee that this proposal appears on the November 2020 ballot and even less that Califonians agree to the most ambitious tax increase in modern history (a very competitive category in this state). However, given the money being spent to put the initiative on the ballot, it's very likely to be there next fall. For voters, the key is to know what the arguments mean to their communities the businesses they rely on for jobs and most of the state's current revenue.

Support our Mission, Support the REALTOR® Party

The most important thing each member can do to support our government affairs work is to stay informed and help spread the word on important issues to your colleagues, clients, friends and neighbors. Nothing is more important than your time, including the time you devote to making your voice heard at the ballot box each election day.

Our work is supported through voluntary contributions made by members to the REALTOR® Action Fund. These annual contributions of $49 or more help ensure that we have the resources to research important issues, communicate with our members and mobilize our industry to have the impact necessary to make a difference.

You can make a contribution as you renew your membership – or anytime by going to www.car.org/governmentaffairs/raf.

Questions? Comments? You can reach Paul Herrera, Government Affairs Director, at pherrera@ivaor.com or on his cell phone at 951-500-1222.

Extended Time Periods for Tenant Eviction Notices Effective September 1st

Effective September 1, 2019, weekends and court holidays will no longer count in calculating the time periods for the following tenant notices:

- Notice to Pay Rent or Quit (C.A.R. form PRQ)
- Notice to Perform Covenant (Cure) or Quit (C.A.R. form PCQ)
- The five-day period in which a tenant has for filing an answer to an unlawful detainer summons

Under existing law, when a tenant fails to pay rent on time or commits a curable breach of the lease the landlord may issue a three-day notice to pay rent or quit or a notice to perform covenant or quit. Currently, it is calendar days that are counted, which may include weekends or court holidays.

However, starting on September 1st the three days must exclude weekends and court holidays. For example, under the current law, a tenant who is given a three-day notice to pay rent or quit on a Friday would be required to pay by Monday. Under the law effective September 1st, Saturday and Sunday would not be counted towards the three days, so the tenant would have until Wednesday to pay.

The new law also applies to the five-day period that tenants have to respond to service of an unlawful detainer summons and complaint. A tenant served with an unlawful detainer summons will now have five days excluding weekends and holidays to respond. The law does not impact the notice periods for 30 or 60-day termination notices, or notices based on uncurable breaches such as illegal use, unauthorized subletting, nuisance or waste (C.A.R. form NTQ).

National Association of Realtors® Applauds Long-Awaited FHA Condo Rule

WASHINGTON (August 14, 2019) – The National Association of Realtors® today commended the Department of Housing and Urban Development for finalizing new Federal Housing Administration condominium loan policies. The changes, many of which NAR has championed for over a decade, should yield thousands of new homeownership opportunities and help alleviate affordability restraints impacting markets across the country.

"We are thrilled that Secretary Carson has taken this much-needed step to put the American Dream within reach for thousands of additional families," said NAR President John Smaby, a second-generation Realtor® and broker at Edina Realty in Edina, Minnesota. "It goes without saying that condominiums are often the most affordable option for first-time homebuyers, small families and those in urban areas. This ruling, which culminates years of collaboration between HUD and NAR, will help reverse recent declines in condo sales and ensure the FHA is fulfilling its primary mission to the American people."

Specifically, the new guidance extends certifications from two years to three, allows for single-unit mortgage approvals, provides more flexibility with owner/occupancy ratios, and increases the allowable number of FHA loans in a single project. The rule will go into effect in mid-October – 60 days from publication. HUD believes the changes will extend critical benefits to aspiring homeowners and confirm the agency is properly serving the public.

"NAR is also grateful to Representatives Blaine Luetkemeyer and Emanuel Cleaver, along with Senators Bob Menendez and Tim Scott, who served as the initial sponsors of Congressional legislation that got this process moving toward the resolution we have reached today," Smaby continued.

During NAR's most recent existing-home sales report, June condominium and co-op sales were recorded at a seasonally adjusted annual rate of 580,000 units. The figure represents a decline of 3.3% from May and a 6.5% drop from the same time last year. With more than 8.7 million condo units nationwide, only 17,792 FHA condo loans have been originated in the past year.

NAR Chief Economist Lawrence Yun recently noted that even though median prices for existing condos have risen slightly, their relative affordability means condominiums remain a natural answer to inventory shortages holding back home sales growth. "Condos are typically more affordable than a detached single-family home, but only a small fraction of condos are FHA-certified," he said last month.

In conversations with HUD since 2008, NAR has advocated for changes to FHA's condo policies that include allowing owner-occupancy level determination on a case-by-case basis, granting up to 45% commercial space without documentation and including a five-year approval period for project certification.

The FHA issued proposed changes to its condo rules in 2016 to lift several restrictions within the sector, but the proposed rules were never finalized.

During NAR's annual legislative conference this May, FHA Commissioner Brian Montgomery noted the agency was closing in on finalizing new condo policies that, by lifting restrictions and streamlining processes, had the potential to significantly boost America's condo sector.

"We anticipate that the updated regulations will be more flexible, less prescriptive and more reflective of the current market than existing provisions," Montgomery told the group of over 100 Realtors® in Washington, D.C. earlier this year.

National Association of Realtors® Moves to Dismiss Antitrust Suits; Shows Lawsuits Are Self-Contradictory, Ignore Precedent and Lack Economic Sense

CHICAGO, August 12, 2019 – The National Association of REALTORS® (NAR) moved last week to dismiss the Moehrl v. NAR lawsuit and the copycat Sitzer v. NAR lawsuit because both amended complaints fail to show how NAR rules for the operation of Multiple Listing Services (MLSs) inhibit competition or cause the plaintiffs any harm. Moreover, the complaints misrepresent rules which have long been recognized by the courts across the country as protecting consumers and creating competitive, efficient markets that benefit home buyers and sellers.

"Throwing around a few anti-trust buzzwords doesn't change the fact that MLSs have contributed to an orderly, efficient and pro-consumer marketplace for well over 100 years," said John Smaby, President of NAR. "We continue to believe the lawsuits are wrong on the facts, wrong on the economics and wrong on the law."

As NAR's briefs detail, the essence of the plaintiffs' argument is based on a flawed interpretation of the NAR Handbook on Multiple Listing Policy and Code of Ethics. According to NAR's filings, misrepresenting NAR rules with "pejorative" and "anticompetitive-sounding" language does not outweigh the decades of court rulings that have found NAR rules to be pro-competitive and serve the best interests of consumers through enhanced transparency and efficiency.

"The MLS system creates highly competitive, efficient markets with increased transaction volume and superior customer service that benefit home buyers and sellers," said Smaby.

NAR's filings to dismiss also set forth the failure of the class action attorneys to meet legal standards necessary to move their case forward. As the briefs state, the "plaintiffs have totally ignored the long antitrust scrutiny of the MLSs and the repeated judicial conclusion that MLSs and the rules that govern them are pro-competitive." Furthermore, NAR's filings note that the plaintiffs' claims lack any evidence that they were actually harmed by NAR rules. Per the brief, the plaintiffs "have not alleged that they even attempted to negotiate a lower commission either from their listing broker or for the buyer's broker," which, as noted above, is allowed by NAR rules anyway, contrary to their claims.


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Housing Data Report
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The Voice of Real Estate in the Inland Empire℠

A report brought to you by the Inland Valleys Association of REALTORS® (IVAR)
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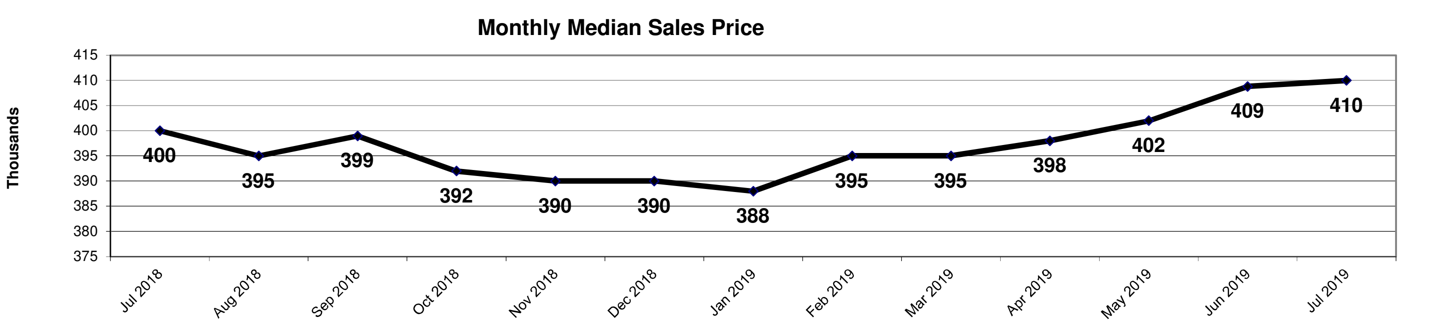
Mark Dowling, Chief Executive Officer

- The regional housing market for the first seven months of 2019 reflects a steady, but slightly sluggish sales environment. New Listings and Sold Listings were down slightly at -4.2% and -2.8%, and total Sales Volume was down -.7% However, for the month of July, Pending Sales were up 17.2% and Sold Listings were up 5.7%.
- Median Sales Price was up 2.6% ($410,000) in a month-over-year comparison for July.
- Days on Market – up 44.4% for the first seven months of 2019 – has increased to 26 days.

	Jul-2018	Jul-2019	Annual Change
New Listings	5,308	4,995	-5.9%
Pending Sales	3,721	4,360	17.2%
Sold Listings	3,764	3,979	5.7%
Median Sales Price	$400,000	$410,000	2.5%
Sales Volume ($M)	$1,619	$1,737	7.3%
Price/Sq.Ft.	$226	$225	-0.5%
Sold $/List $	99.78%	99.11%	-0.7%
Days on Market	18	21	16.7%
CDOM	19	23	21.1%

All data used to generate these reports comes from the California Regional Multiple Listing Service, Inc. If you have any questions about the data, please call the CRMLS Customer Service Department between the hours of 8:30am to 9:00pm Monday thru Friday or 10:00am to 3:00pm Saturday and Sunday at 800-925-1525 or 909-859-2040.

CRMLS California Regional Multiple Listing Service, Inc.



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Jan through Jul 2019 - YTD Comparisons

Inland Valleys Regional Summary

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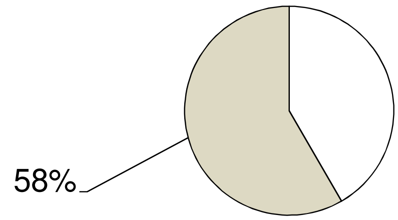
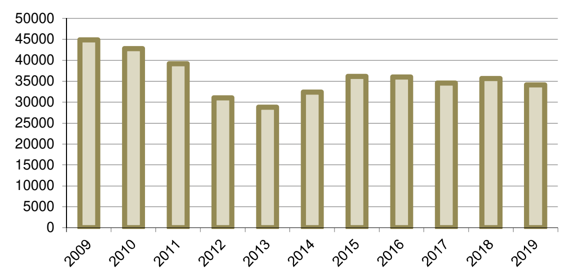
We are 7 months through the year:

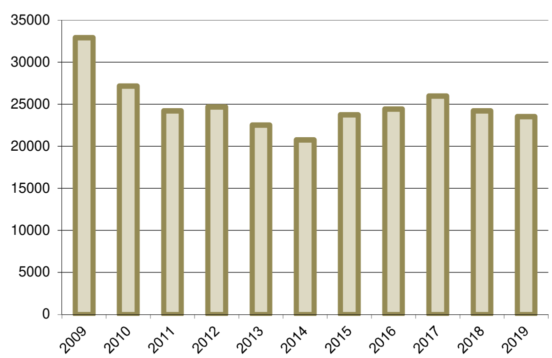


The statistics shown below are for the first 7 months of the years represented.

Month to month comparisons give you a quick way to see what is recently changing in the region. However, by comparing Year-To-Date (YTD) information across several years, you can observe more signifiant trends.



	Jan-Jul 2018	Jan-Jul 2019	Year-Over-Year Change
New Listings	35,657	34,159	-4.2%
Pending Sales	25,917	26,829	3.5%
Sold Listings	24,200	23,515	-2.8%
Median Sales Price	$390,000	$400,000	2.6%
Sales Volume ($M)	$10,117	$10,045	-0.7%
Price/Sq.Ft.	$219	$221	1.0%
Sold $/List $	100.00%	98.73%	-1.3%
Days on Market	18	26	44.4%
CDOM	19	31	63.2%



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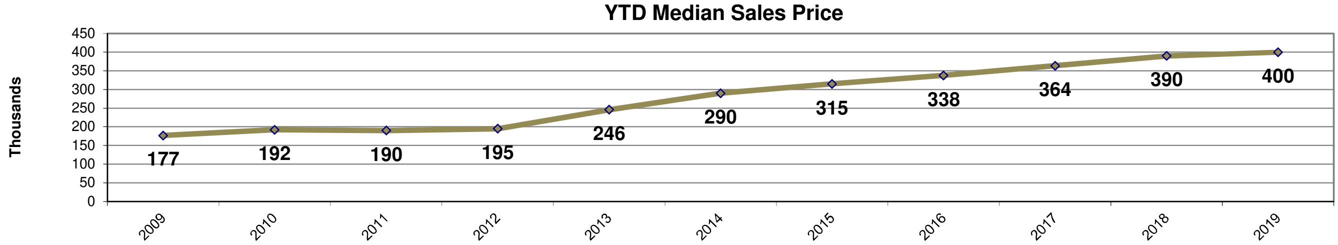

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Jul 2019 City Overview

As a service and convenience to our members, IVAR is pleased to offer several "Quick Look" reports. This is one more way for IVAR members to stay informed with minimal effort.

The following monthly data shows "YEAR-OVER-YEAR" (YOY)changes as well as current conditions in the real estate market

	YOY Sales Transactions	YOY Median Sales Price %	Median Sales Price $	Inventory	Price per Sq.Ft.	Total Days on Market
Alta Loma	111%	-22%	$ 607,000	29	$ 315	20
Banning	69%	-2%	$ 272,500	95	$ 186	51
Beaumont	18%	0%	$ 349,950	112	$ 171	30
Bloomington	-28%	5%	$ 365,000	14	$ 268	18
Calimesa	100%	40%	$ 387,500	20	$ 183	32
Canyon Lake	-6%	3%	$ 475,000	73	$ 224	54
Chino	-8%	2%	$ 487,000	117	$ 272	23
Chino Hills	-23%	4%	$ 648,000	107	$ 340	19
Claremont	13%	-2%	$ 635,000	48	$ 355	22
Colton	10%	17%	$ 320,000	61	$ 217	17
Corona	-15%	3%	$ 502,500	322	$ 259	23
Diamond Bar	-4%	2%	$ 699,999	86	$ 369	42
Eastvale	34%	3%	$ 570,000	103	$ 209	25
Fontana	7%	6%	$ 420,050	242	$ 239	20
Hemet	13%	4%	$ 265,000	270	$ 159	30
Highland	-16%	2%	$ 360,000	75	$ 207	16
Homeland	-23%	18%	$ 230,000	21	$ 157	48
Jurupa Valley	-7%	-1%	$ 435,000	69	$ 246	26
La Verne	-17%	1%	$ 655,000	42	$ 377	27
Lake Elsinore	-16%	3%	$ 389,900	171	$ 182	26
Loma Linda	28%	-15%	$ 350,000	19	$ 257	13
Menifee	38%	3%	$ 380,000	280	$ 181	31
Mentone	-8%	-20%	$ 304,000	10	$ 225	6
Montclair	86%	-2%	$ 439,500	20	$ 306	15
Moreno Valley	3%	5%	$ 340,000	230	$ 203	14
Murrieta	31%	3%	$ 440,000	357	$ 194	30
Norco	-24%	12%	$ 603,500	39	$ 303	42
Nuevo/Lakeview	56%	6%	$ 345,000	19	$ 206	45
Ontario	45%	5%	$ 438,250	183	$ 284	15
Perris	-13%	4%	$ 337,000	137	$ 181	21
Pomona	-14%	5%	$ 450,000	81	$ 326	17
Rancho Cucamonga	-1%	1%	$ 523,000	278	$ 298	24
Redlands	3%	5%	$ 450,000	105	$ 258	23
Rialto	26%	5%	$ 373,250	89	$ 230	18
Riverside	14%	3%	$ 415,000	553	$ 254	19
San Bernardino	-3%	11%	$ 305,000	281	$ 220	18
San Dimas	-33%	23%	$ 708,000	35	$ 353	26
San Jacinto	27%	17%	$ 300,000	107	$ 157	15
Sun City	-19%	15%	$ 264,000	34	$ 188	90
Temecula	20%	2%	$ 475,000	296	$ 231	29
Upland	-21%	5%	$ 578,000	107	$ 294	27
Wildomar	-14%	1%	$ 412,500	72	$ 174	21
Winchester	16%	2%	$ 427,500	86	$ 166	25
Yucaipa	-23%	1%	$ 399,000	87	$ 211	26

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Jul 2019 - Sales Volume per City

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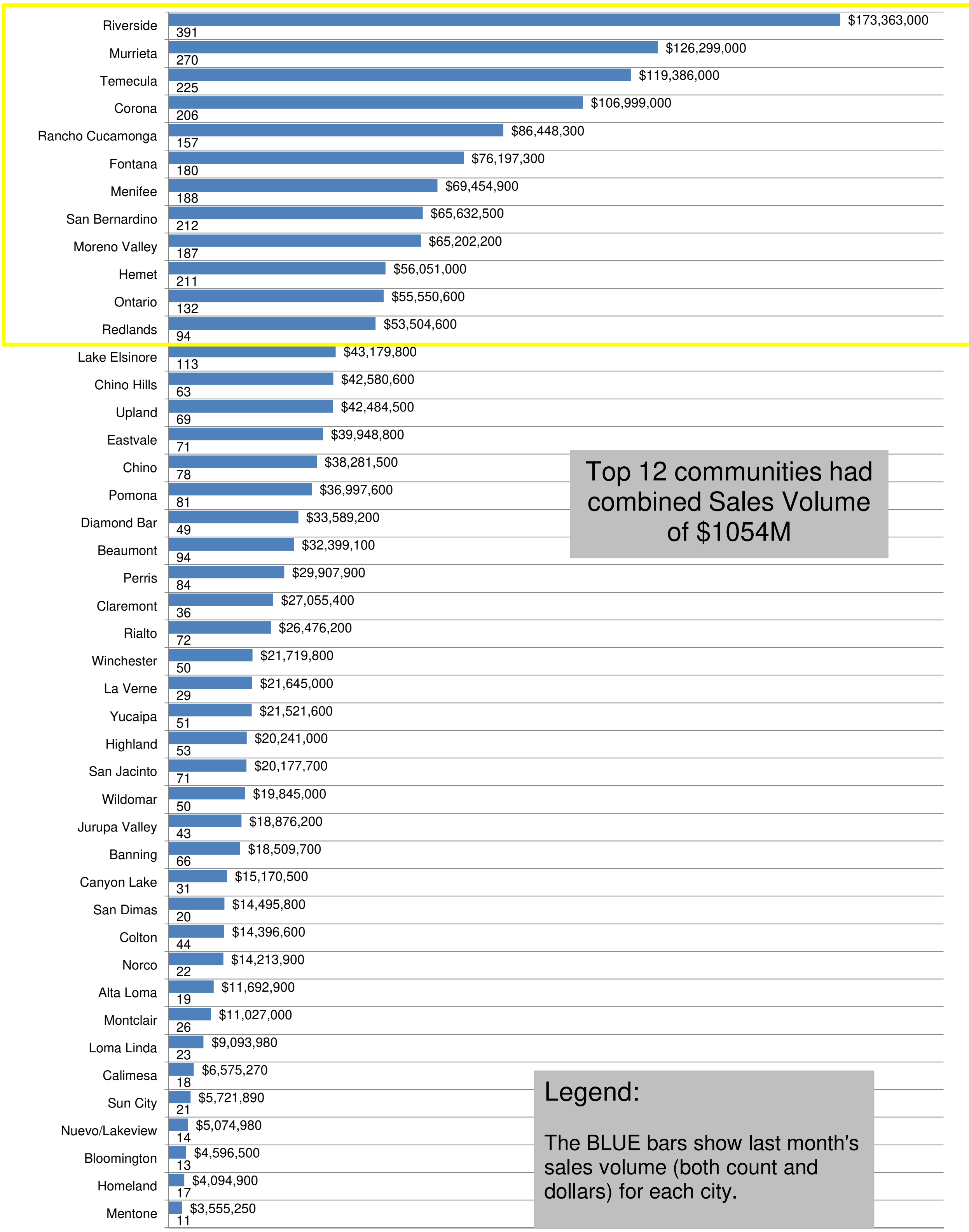

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Jul 2019 - Top Communities with New Listings (year-over-year)

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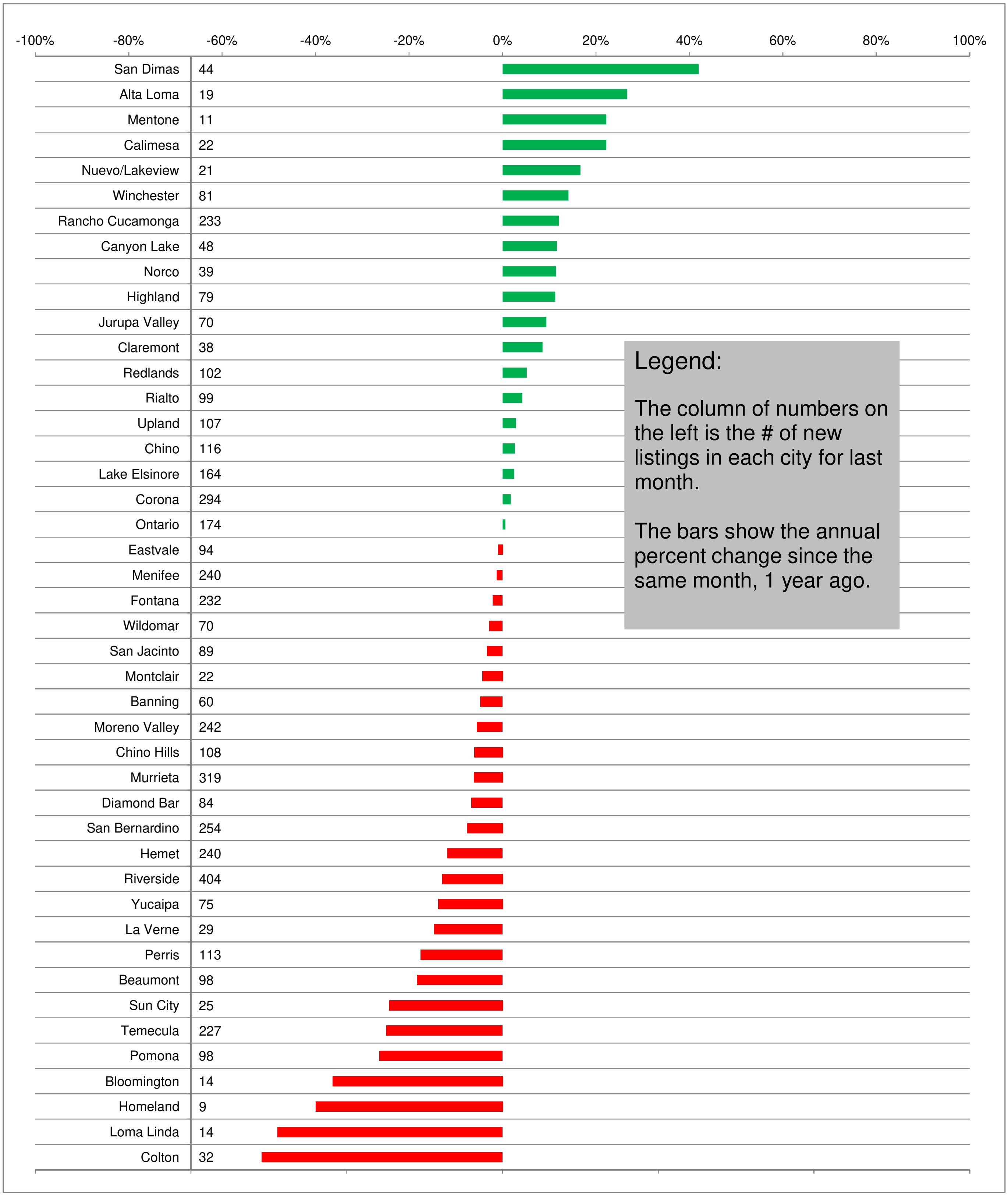

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Sell Price vs Original List Price

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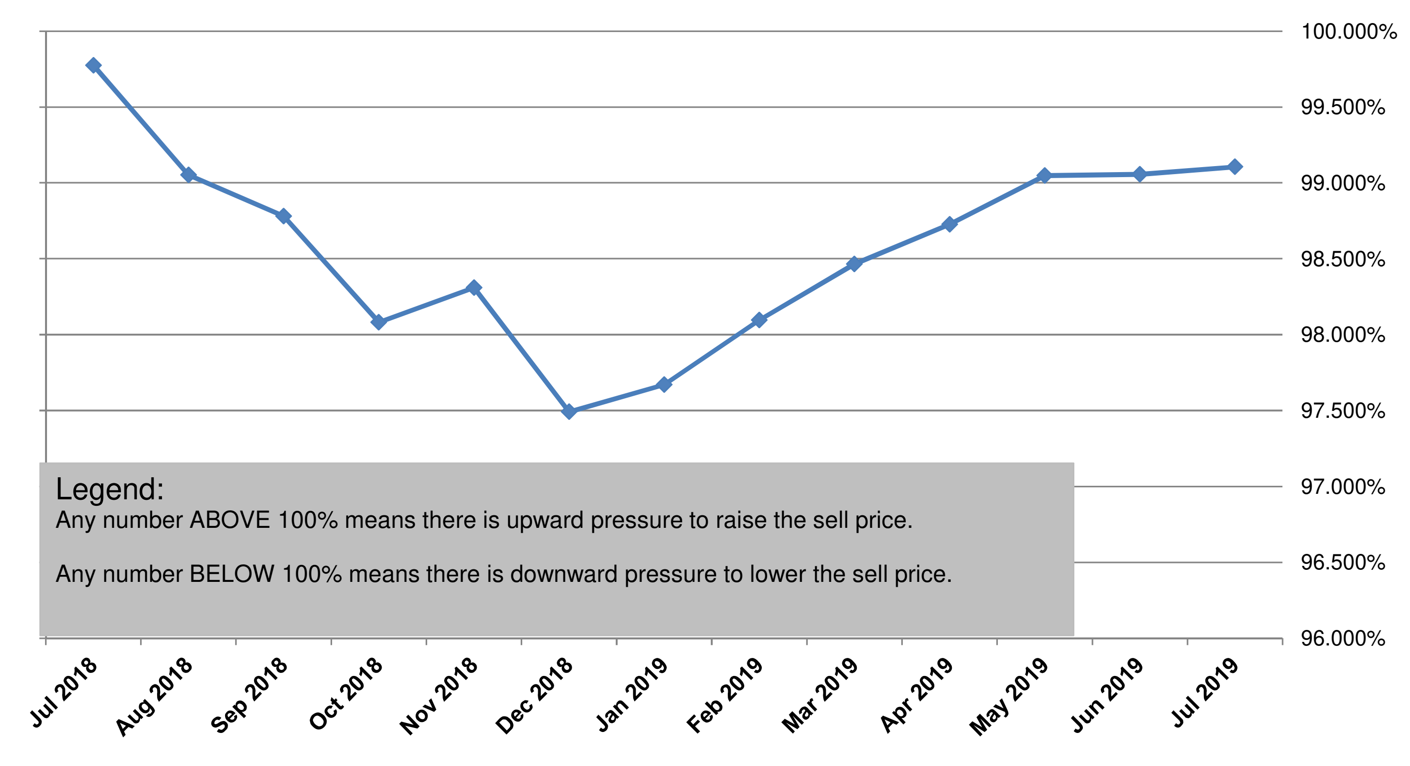

Legend:
Any number ABOVE 100% means there is upward pressure to raise the sell price.

Any number BELOW 100% means there is downward pressure to lower the sell price.

This report is brought to you by IVAR:

As a service to the more than 4 million residents of the Inland Empire, the **Inland Valleys Association of Realtors®** is proud to distribute this data report on the housing market in the 50 communities served by our Realtor Members.

The core purpose of IVAR is to help its members become more professional and profitable, while promoting and protecting real property rights.

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