



Responding to Today



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Introduction

Responding to Today ... With Intelligence, Insights and Experience

Berkshire Hathaway HomeServices has built its reputation on the ability of its network agents to help educate their clients during the home buying and selling process. Being that trusted guide is now more important than ever when so much feels uncertain.

As we looked across the real estate industry, we noticed a lack of thought leadership and direction around what comes next after COVID-19. Who better to lead that conversation than our Berkshire Hathaway HomeServices professionals? We knew our trusted brand could rise to the occasion — offering thoughtful direction and collective insights on the industry as many markets are being reshaped in real time by the pandemic. And to do that, we partnered with another trusted source, *The Wall Street Journal*.

Together, we deployed a survey to WSJ readers and wrote a custom study about real estate questions and concerns that were top of mind. Fielded in early April, the 10-minute quantitative survey polled the WSJ Opinion Leaders panel to measure the impact of COVID-19 on readers' home purchasing and selling intent.

Based on the results, we were able to produce timely content that positioned Berkshire Hathaway HomeServices as thought leaders across a multitude of real estate topics. On the following pages, you'll find insights derived from the survey's findings on topics ranging from real estate investing in a COVID-19 world to navigating the emerging buyers' and sellers' markets across the country.

We hope the information provided is helpful to both you and your clients as we press forward toward the future — together.

Best,
Chris Stuart
CEO of Berkshire Hathaway HomeServices

Real Estate Investing in a COVID-19 World: Finding Opportunities Amid Uncertainty



At the start of 2020, the United States real estate market was as healthy as it had ever been. That all changed as COVID-19 disrupted the global economy, halting the day-to-day functions that kept the real estate market thriving. As the world slowly starts to re-open, many questions remain about the future of real estate — particularly around risk and opportunity attached to real estate investing.

We sat down with brokerage executives and agents from across the country to get their expert insights and market knowledge on this complicated topic. From New York City, Ellie Johnson, President of Berkshire Hathaway HomeServices New York Properties. Weighing in from Las Vegas, Mark Stark, Chief Executive Officer of Berkshire Hathaway HomeServices Nevada Properties. And representing the great American West, John Sofro, Broker/Owner, and Pam Rheinschild, Assoc. Broker/Owner, of Berkshire Hathaway HomeServices Sun Valley Properties.

78%

of delaying home buyers are concerned over the real estate and/or financial market, with the single biggest concern being a **potential market crash**.

Source: WSJ Intelligence
Proprietary Study, April 2020.
Base: Delaying home purchase
n=102

Q: Why is now a good time to invest in real estate?

Mark Stark: Based on our current reality, now is a great time for people to diversify their holdings into real estate. Taking into consideration how much of their investments are in stocks, how comfortable they are with stock market volatility, while tying this back into their personal investment strategy and timelines, it may be prudent to take some money out of the market and reinvest those dollars into real estate. Due to the current crisis, many markets have greater opportunities than they would have had otherwise.

The most important thing to remember is what your ultimate goals are — it's really such an individualized conversation. I have clients who come to me and say, "You know, Mark, I want to maximize my return." I go, "Really? Are you sure about that? Let's say we do something that maximizes your return, but if it goes wrong, you take a big hit on your capital. Are you OK with that? No? OK, so you don't want to maximize your return ultimately." And through conversations like that, we end up taking proportionate risk based on what they're trying to accomplish. So first and foremost, for those moving forward



with investing during this time of opportunity, I'd recommend getting very clear on your objectives and working with a real estate professional who takes the time to understand your long- and short-term goals and can guide you in the right direction.

Q: Ellie, I'd like to pick your brain specifically on something Mark just touched on: In times of crisis, there is opportunity. New York City has certainly taken a hit because of COVID-19, but what are some strong opportunities that should be on investors' radars right now?

Ellie Johnson: I think the best areas to look for investments, in New York City particularly, are in new developments. I am talking about all price points. Some of these projects were in financial distress before the pandemic, and they are in further and greater distress now. Developers need to close deals. Therefore, they are offering great incentives, because if they do not reach the thresholds needed to keep their projects going, those assets are going to change hands and be financially restructured.

Another thing I want people to remember is that you can't move the island of Manhattan. While things are tough for us now, we are still closing deals. To give you an example, we just rented an apartment north of \$20,000 a month to a family who's relocating from New Zealand. Another transaction that got some press was a South American investment group that purchased apartments on the Upper West Side, north of \$27 million. When asked "Why now? Why New York City?" their answer was, "Because we still feel it's the safest place for us to keep our money."

If we go back and look at historical data around different challenging periods that were beyond the control of humanity, we survived, right? Right now, there are investors looking to capture that small opportunity with distressed properties, but overall, every investor should remember that *location, location, location* is still the one main characteristic of a good investment — and New York City will always be New York City.



“The housing stock at the start of 2020 was in very stable footing in terms of supply and demand.”

Chris Stuart, CEO of
Berkshire Hathaway
Homeservices

Q: An interesting flip side of that sentiment is that certain smaller markets are now seen as “hot” prospects for investors. John and Pam, are you seeing an influx of interest in Sun Valley, and what are some investment opportunities in resort areas out west?

John Sofro: This is all uncharted territory, but I think we all believe there will be a movement from people living in urban areas to places like this. We are hearing and seeing lots of interest in long-term rentals here — these are families, affluent families, looking for a complete lifestyle change.

There is an appetite for development, but no developer here wants to compromise or jeopardize the quality of life that we have here, so there are visionary restraints on what can and cannot be done.

Pam Rheinschild: That being said, for investors, there are opportunities happening with developments. While we’re pretty well locked into our topographical restrictions — we’ve got stringent restrictions on developing hillsides, wetland areas, set asides and environmentally sensitive areas — that’s forced a lot of redevelopment to promote some infill, higher-density, multifamily living.

Q: What advice would you give to someone who hasn't traditionally invested their money in real estate?

Ellie Johnson: Now more than ever, investors have to rely on their long-term relationships for information about where the opportunities are. And they need to really be working with experts in the particular type of investment they're seeking.

This is *not* the time to work with your friend, who might be a great residential broker, but has no expertise in areas that could actually be great investments for you. If you're looking for a specific type of investment, work with professionals who specialize in that area. And I think that portfolio, institution and asset managers are going to be very busy. They are great resources for the broker community, and vice versa, because they need our input to value their assets. And we need their assets for transaction deals. Whether it is changing notes or actually when you're repositioning, you're going to see a lot of good support between those two entities.

Top 5 Concerns Among Delaying Buyers

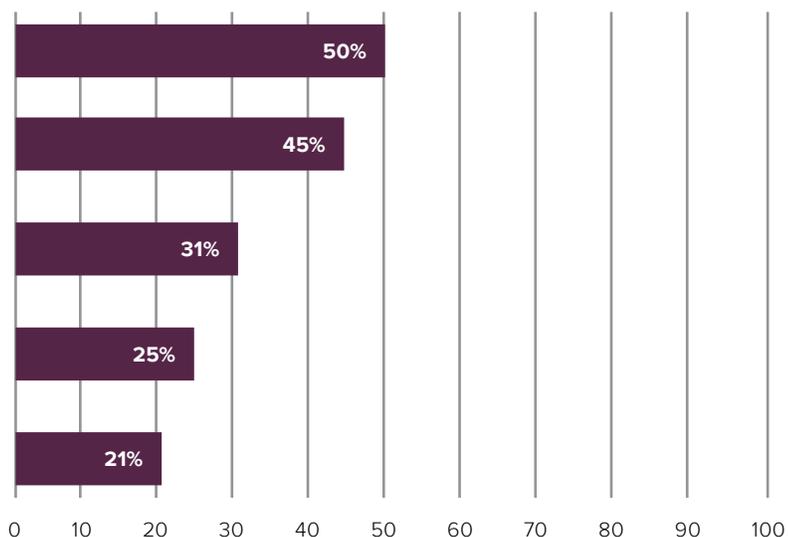
I think the real estate market will crash in 2020 and it will be better to buy later vs. sooner.

I am concerned about the market volatility and don't feel like this is a good financial time to buy.

I am concerned about the logistics of getting all necessary inspections and appraisals completed with the shutdown of most offices and services.

I am concerned about my health and safety and don't feel comfortable going into others' homes.

I don't think there will be enough listings that have the home attributes I want.



Source: WSJ Intelligence Proprietary Study, April 2020. Base: Delaying home purchase n=102

Should I Stay or Should I Go? Navigating the Home Buying and Selling Process During the Pandemic

Nearly 3 in 5 imminent buyers/sellers are moving forward with plans

58%

are moving forward with buying/selling a home in the next 6 months.

47%

are delaying their plans to either buy or sell.

Source: WSJ Intelligence Proprietary Study, April 2020. Base: Total Respondents n=1,037 multiple possible selections resulted in duplication

In the “Responding to Today” study conducted by The Wall Street Journal | Barron’s Group Intelligence Group around the state of real estate, those readers with plans to buy or sell a home pre-COVID-19 are currently a house divided: 58% plan to move forward in the next six months, while 47% are delaying their plans. Both groups cited concerns around shallow buyer pools, low housing inventory and precarious home valuations.

Again, we turned to Berkshire Hathaway HomeServices professionals Ellie Johnson, Mark Stark, John Sofro and Pam Rheinschild for expert insights and market knowledge on these complicated topics.

Q: There’s a perception right now that people aren’t buying homes. Is that actually accurate?

Ellie Johnson: Perhaps in some markets the pool is shallow, but to say there are not buyers right now is a very broad statement to make. For example, just this weekend in New York City, we had multiple offers on a property. The difference between now and before the pandemic is the quality of the buyer, meaning they are much more committed. Anyone that is going to leave their home to go look at real estate in this current crisis is somebody that is serious about doing a transaction.

It’s not that the buyers aren’t there — the bigger issue is lack of inventory. We were suffering with lack of inventory prior to the pandemic and that was keeping prices stable. Now, in some markets, that lack of inventory is driving prices up.



82%

of delaying home sellers expressed concerns over the housing market, including decreased sale prices and/or lack of buyers.

Source: WSJ Intelligence
Proprietary Study, April 2020.
Base: Delaying home purchase
n=102

Q: Polled WSJ readers were definitely concerned they wouldn't be able to find the right house at a fair price because of lack of inventory. How should they navigate the home buying process right now?

Mark Stark: Listen, when I hear some agents say inventory's low, I want to reply, "Did they burn houses down? Did someone steal these homes?" The answer of course is no, but these agents are relying only on the MLS feed to find it all. I understand that inventory in the MLS is low, which is why this is a time for innovative and proactive efforts by agents in serving their clients' needs.

Buyers need to make sure they're working with an agent who has eyes on properties that aren't just coming through the MLS feed. A good agent on their game with the focused goal of successfully executing the needs of their clients takes the time to locate homes that haven't even hit the market as of yet.

The other thing to keep in mind is that most people buying right now are also selling. So even if they are paying slightly more for a property in our current housing climate, chances are they got top dollar for their current home, especially when buying and selling in the same market. I recommend spending less time focusing on saving a few dollars on your purchase and much more time focused on finding the right home that best fits your needs in the right location. I promise that if you find the right place to live the few percent change in price won't mean anything over the long run.

45%

of respondents moving forward with buying or selling are concerned with decreasing home values.

47%

feel that they would benefit from a knowledgeable, dependable real estate agent.

Source: WSJ Intelligence Proprietary Study, April 2020.
Base: Delaying home purchase n=168

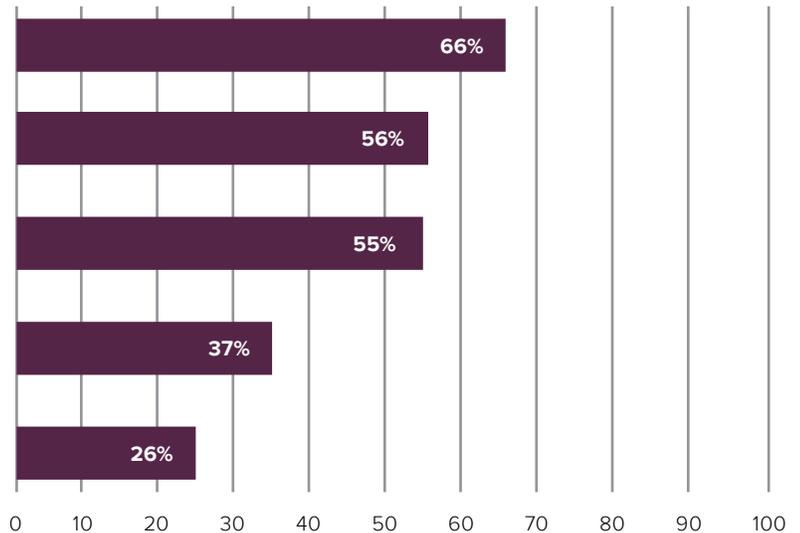
Q: For those buyers and sellers who are moving across markets — particularly those moving from urban to suburban or even rural areas — what are the key factors they should keep in mind as they search?

Mark Stark: A lot of people discount what this type of move is going to mean for their day-to-day living, so they need to be really transparent with their agent about what they truly want and what will help ease that transition from one lifestyle to another.

Yes, the actual home is important, but really take the time to drive around the area and understand what each community can and cannot offer. This is also where having the right agent makes a huge difference. A buyer may say, “I want good schools, I want this much square footage,” but it’s on the agent to dive deeper and read between the lines about what truly is valuable to them. So a good agent is going to take the time to really get to know you and how you want to live, and then guide you to the area and community that can make it a successful move.

Top 5 Concerns Among Delaying Sellers

- I don't think I'll get the optimum price for my home.
- I don't think there will be as many buyers in the market.
- I am concerned about the market volatility and don't feel like this is a good financial time to sell.
- I don't feel safe enough to have the number of people in my house that would be necessary to list and sell my house.
- I am concerned about the logistics of getting all necessary inspections and appraisals completed with the shutdown of most offices and services.

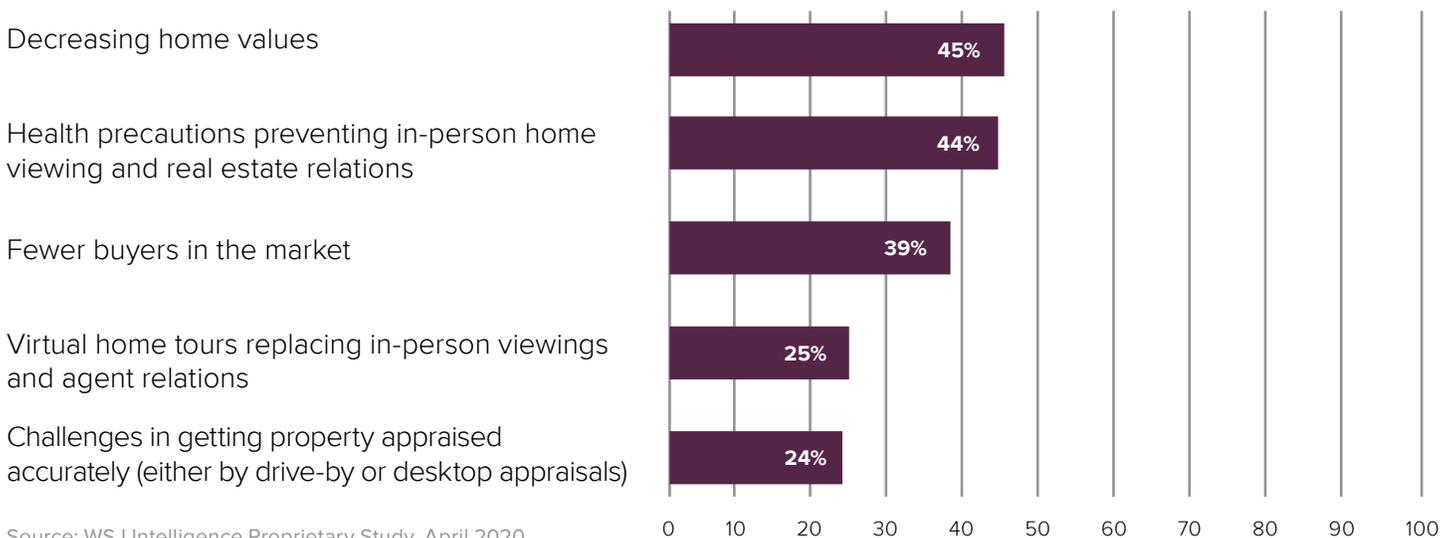


Source: WSJ Intelligence Proprietary Study, April 2020.
Base: Delaying home sellers n=62, small base use with caution

John Sofro: For buyers looking to relocate to a full-time residence in a mountain resort town like Sun Valley, it's important that they're honest with themselves — as living in a 1,000-square-foot high-rise apartment in an urban area is a very different experience than living in Idaho!

Traditionally there's been this dream of moving out west and having a ranch with a bunch of acres. While that's wonderful, there's a lot of work associated with maintaining properties like that, and people need to be realistic if they're up for that type of cost and commitment. Luckily, there's been a trend in all of these mountain towns to develop properties closer to the commercial cores, so maybe you don't need a car or even to mow a lawn. So buyers looking to relocate should know there are options in towns like Sun Valley — and the dream doesn't have to necessarily mean owning a ranch.

Top 5 Concerns Among Progressing Buyers/Sellers



Source: WSJ Intelligence Proprietary Study, April 2020.
Base: Progressing buyers/sellers n=168

Evolving the Real Estate Process to Be Safer, Faster and More Responsive



Touring a home these days sure doesn't look the way it did at the start of 2020. Agents and potential buyers will most likely be in masks, homeowners likely won't be present and antibacterial wipes will be used to sanitize surface after surface. And while safety is at the forefront of everyone's minds, savvy real estate professionals are looking to the future to prepare for a new world of buying and selling homes that utilizes practices that evolved during the pandemic.

Our brain trust of Berkshire Hathaway HomeServices experts — Ellie Johnson, Mark Stark, John Sofro and Pam Rheinschild — offers expert insights and market knowledge on where real estate goes from here.

Q: The onset of the coronavirus demanded quick adaptation to how real estate professionals do business. What changes to the industry do you think will “stick” ... at least for the near future?

1 in 3

delaying home sellers are concerned both over logistics and health/safety considerations, such as having people in their home.

Source: WSJ Intelligence Proprietary Study, April 2020.
Base: Delaying home sellers n=62, small base use with caution

Ellie Johnson: While transactions are still taking place in New York City, business has slowed down. What has changed is that you have far less “speculators” — people who are looking to move only if they can find a deal, or homeowners who casually list just to see if they can get an offer that's appealing to them and potentially would allow them to make that move they have been dreaming of to Florida for retirement.

What you're left with are buyers and sellers with urgency and a sense of need. It's something they teach you in Real Estate Sales 101: You have to have a willing and able buyer and seller to do a transaction. And in some ways, I believe it's better, because before, agents spent a lot of time on things such as open houses where every Tom, Dick and Harry came through the property just to get design ideas or renovation ideas. They weren't actually serious — it was a Sunday pastime. This will transition to showing properties by appointment only and it might last for a while. There is going to be more vetting of both buyers and sellers — so numbers-wise it will be quality over quantity.

1 in 3

delaying home buyers are concerned with logistics of getting necessary appraisals/inspections or documents completed.

1 in 4

are concerned with health/safety.

Source: WSJ Intelligence Proprietary Study, April 2020.
Base: Delaying home purchase n=102

Q: How are agents successfully implementing virtual technology during this time, and who do you think will continue to utilize these virtual tools once the pandemic is over?

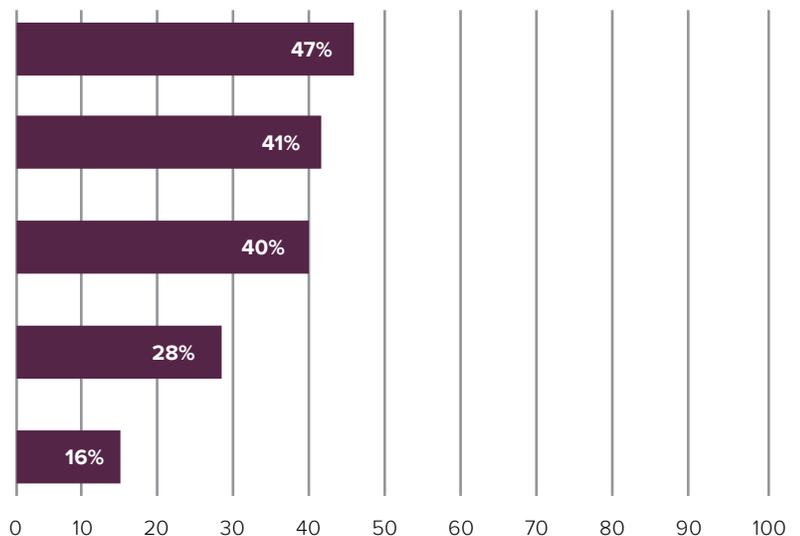
John Sofro: We're certainly doing more than we ever have over the internet. And yes, we're conducting real estate in a way we could never have imagined even three months ago. We have a partner in Boise who's actually sold homes to people that have never physically been in the property — they've only taken virtual tours.

Now for me, I might not be comfortable buying a home "virtually," but I think it's almost a generational kind of thing. Younger generations conduct themselves in a very different way and experience life in ways that might not be appealing to people in my generation. So I'm sure the technology will continue to evolve and generations that grew up in the midst of all of this technology will conduct themselves and operate in a very different way than their parents and grandparents did. They're more comfortable with it, and so I think we'll certainly see an increase in virtual tours, at the very least prior to in-person showings.

Nearly 1 in 2 Buyers/Sellers Would Benefit From a Knowledgeable, Dependable Agent

Digital signature/notaries and lower mortgage rates are also desirable

- A dependable, highly knowledgeable, very service-oriented real estate agent
- Digital signature and notaries
- Lower mortgage rates
- Ability to lock in a mortgage rate for a longer time period
- "Touchless" final walkthrough



Source: WSJ Intelligence Proprietary Study, April 2020.
Base: Progressing home buyers/sellers n=168



Q: How do you maintain that personal nature of the agent/client relationship when you can't be, or won't be, in person as much as before?

Mark Stark: We've certainly been utilizing virtual technology more, whether it's for home previews, virtual home inspections or walkthroughs via video chat. That being said, I believe we live in an "and" environment, not an "or" environment. This means we need to be sure to be ready to do both: face-to-face communication, as well as taking all these new innovative virtual ideas to help increase our ability to communicate more effectively with all of our clients. My rule of thumb — especially in times like these — is to overcommunicate. It helps establish trust and lets clients know you're always thinking about them, even if you don't have much new information to share.

Pam Rheinschild: If anything, this is a real opportunity to become a meaningful part of your clients' lives, beyond the real estate transaction. An agent knows the community better than most, so I personally have been reaching out to new homeowners in our area to ask them if they need help or to offer tips. Things like, "The library will leave a book for you curbside; let me give you their website." You know, little things like that. If nothing else, this pandemic has given me a chance to really evaluate and reconnect with my sphere of influence.



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