Letting Go of In-Person Home Shopping

Americans traditionally want to visit the house they're buying. That is changing fast.

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By Candace Taylor, *The Wall Street Journal*, **May 15, 2020, p. M1, M4.**

In March, Lester and Janet Knispel paid $1.55 million for a white-columned house on the second fairway at Isleworth Golf & Country Club in Windermere, Fla. Now their televisions are mounted on the walls and their Porsche is parked in the garage. But the Knispels have never set foot in their newly acquired property.

The Knispels are California residents who plan to use the home as an investment and for occasional trips to nearby Disney World. But they didn't want to risk flying to Florida during the coronavirus pandemic, so they closed on the purchase virtually, without ever seeing the five-bedroom house in person. "I never thought I'd buy something like this, sight unseen," said Mr. Knispel, a celebrity business manager. But thanks to "a million pictures" and videos sent by their real-estate agent, (continues on p. M4) Tiffany Pantozzi of Compass, "I feel like we know the house inside and out." After the closing, they shipped the car and furniture from one of their other homes. But they don't know when they will be able to travel to Orlando. When they finally get to see the house, Mr. Knispel said, "we're going to love it. I have no doubt about that."

In the U.S., it has long been conventional wisdom that home buyers want to walk through a home at least once and sometimes multiple times before closing. Buying a house is the largest investment of most people's lives, the reasoning goes, and many people don't think photos and video adequately capture details of the home and surrounding neighborhood. But this is starting to change as more buyers purchase homes based solely on photos, video and FaceTime. Particularly in hot markets with low inventory, agents said, buyers who put their plans on hold at the beginning of the crisis are now moving forward, even if that means trusting a virtual tour to help them make a major decision.

"The urgency has gotten so strong that people are willing to take a leap," said Stephanie Anton, president of the real-estate brokerage network Luxury Portfolio International. She says this is due in part to technology like FaceTime, Zoom and Matterport, a 3-D platform for virtual tours. "Agents had the tools to go virtual, but they weren't doing it," she said. "But now you have to. We've had more adoption of technology in the last three weeks than we've had in three years." Last year, only 3.5% of buyers in the U.S. purchased a home without viewing it, according to the National Association of Realtors' 2019 Profile of Home Buyers and Sellers. But last month, a survey of NAR members found that 31% of agents who worked with buyers the week of April 23 had at least one purchaser put in a contract without physically seeing the home. Industry experts predict the trend will have staying power even after the crisis, now that more agents and buyers have embraced the technology required to conduct sales virtually.

"We're on the precipice of the transition to people buying virtually en masse, instead of just a handful of clients," said Washington state real-estate agent Paige Schulte. She's done several sight-unseen deals in recent years.

At the under-construction condo 57 Ocean in Miami Beach, the sales team recently mailed a pair of virtual reality goggles to a buyer to help seal the deal, said sales director Nirka Burns Padilla. The buyer, who lives in San Francisco, was unable to travel to Miami due to the pandemic, and had never visited the site or its sales office. "With those goggles, it feels like he's walking into the building," Ms. Padilla said. He's now in contract to buy a $1.95-million unit as a second home.

When Ms. Schulte started working with Rob and Carolyn Ostrin a few months ago, one of the first things she did was ask them to download the Marco Polo video-messaging app. Ms. Schulte said she likes Marco Polo for virtual home walk-throughs with clients because the app allows recorded videos to be shared privately and easily between multiple people. Until then, "I never knew what Marco Polo was," said Mr. Ostrin, 68, a semiretired attorney. The Ostrins live in California, but are anxious to relocate to the Seattle suburb of Gig Harbor, where their daughter and five grandchildren live.

The Gig Harbor market is tight, said Ms. Schulte. After looking for a ranch-style home for months, the Ostrins were getting frustrated by the lack of available properties. By the time coronavirus hit, they'd been outbid on one house and had another deal fall through during inspection. So when a three-bedroom ranch came on the market just 4 miles from their daughter's house, they pounced. Just hours after the house came on the market, Ms. Schulte did a virtual walk-through for the Ostrins on Marco Polo. They could see that the house, asking $575,000, appeared well-maintained and was "exactly what we were looking for," Mr. Ostrin said. They put in an offer of $585,000 the same day and it was accepted. After completing the inspection, they plan to close in a few weeks. "It's obviously preferable if you can be there in person to see the property. Visually, you might see some detail that someone else misses," said Mr. Ostrin. "But if not, it's certainly not a deal breaker."

Ms. Pantozzi, the Knispels' real-estate agent, said she uses a DJI Osmo Pocket stabilized hand-held camera to film house tours for clients. Walking through the house, she said she makes sure to capture every corner of every room. Then she uploads the videos -- which can be up to 30 minutes long -- to a private YouTube channel for her clients, where they can "pause, rewind and rewatch," at their leisure. Mr. Knispel said that is exactly what he and his wife have done. "We've looked at the video a thousand times," he said. "I know every room, every wall."

Buying a home sight-unseen isn't recommended for first-time buyers, agents said; the process goes much more smoothly if the purchasers, like the Knispels, are experienced home buyers. It also helps if the buyers are already familiar with the neighborhood they are purchasing in, said Manhattan real-estate agent Kathy Sloane of Brown Harris Stevens. "For a buyer who doesn't know which neighborhood they want to live in, it's much harder." A few weeks ago, Ms. Sloane helped Nashville residents Barry and Sherri Stowe find a Manhattan studio apartment without seeing it, or even doing a virtual tour. The Stowes had previously lived in New York City and their daughter is a freshman at NYU Tisch School of the Arts, so they decided to buy a small Manhattan pied-a-terre. They wanted to secure the apartment in time for their daughter to live there next school year. "Waiting didn't seem like an option," said Mr. Stowe, 62, a retired insurance executive.

They found a studio in a full-service co-op listed for $750,000. Their hopes of doing a virtual tour were dashed when the co-op wouldn't allow anyone inside the vacant apartment except the owner, who lives on the West Coast. Still, they decided to proceed, negotiated down the asking price, and expect to sign a contract this week. They are hoping to own the apartment -- and visit it for the first time -- by June. "We're very keen to get up there and have a look," Mr. Stowe said, adding, "It'll be like opening a Christmas present -- we hope it's what we asked for!"

Sidebar on p. M4: But What About the Inspection?
Unlike some professions, home inspectors must be present to do the job, said Mike Wagner, president of the American Society of Home Inspectors. A thorough inspection requires going into attics and crawl spaces, sniffing for gas leaks and listening for mechanical problems. Since the pandemic, most states are allowing home inspections to continue if inspectors take precautions, Mr. Wagner said. Massachusetts home inspector Joseph Aiello said "I wear a mask, keep sanitizer and soap with me, and clean my equipment regularly." Unlike normal times, inspectors are discouraging buyers from attending inspections. They take photos or videos and talk with buyers by phone afterward. Rob Ostrin, who bought sight unseen in Gig Harbor, Wash., said their inspector videotaped the inspection. He and his wife preferred watching the videos to attending the inspection. The inspector talked fast and they ended up watching the video multiple times. "It was even better than live," he said. Pennsylvania isn't allowing inspections right now, said Mr. Wagner, which he said is causing financial strain on inspectors there. Inspectors elsewhere aren't conducting home inspections for fear of contracting the virus. "There are going to be inspectors who don't survive this financially and have to close up shop," he said.

So Long, California? Goodbye, Texas? Taxpayers Decide Some States Aren’t Worth It

After new tax law made it costlier to own a house in many high-price areas, some residents are pulling up

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By Ben Eisen and Laura Kusisto, *The Wall Street Journal*, January 25, 2020 5:30 am ET

Larry Belardi and Bobbie LaPorte are longtime San Francisco residents, but they are planning to leave California for Nevada next year. A turning point was the federal tax overhaul that Congress passed in late 2017. The law made it costlier to own a house in many high-price, high-tax areas, reshaping the economics of homeownership in those slices of the U.S. Two years after President Trump signed the tax law, its effects are rippling through local economies and housing markets, pushing some people to move from high-tax states where they have long lived. Parts of Florida, for example, are getting an influx of buyers from states such as New York, New Jersey and Illinois.

Many people saw their overall taxes go down after the 2017 law was passed. But the law had two main changes making it tougher to live in high-cost, high-tax states, especially compared with lower-taxed options. It essentially curbed how much homeowners can subtract from their federal taxes for paying local property and income taxes, by capping the state and local tax deduction at $10,000. It also lowered the size of mortgages for which new buyers can deduct the interest, to $750,000 from $1 million. These changes have the biggest impact on a sliver of the population who have high incomes and live in expensive areas. They tend to have white-collar jobs and the ability to pick up and move. Many own their own businesses, work remotely or are nearing retirement.

Critics say the changes have hurt everyone who lives in high-tax states, by taking a bite out of tax revenue. New York Gov. Andrew Cuomo, for example, panned the state and local tax cap last year. "It has redistributed wealth in this nation from Democratic states—we're also called blue states—to red states," he said at the time. The average property tax bill in the U.S. in 2018 was about $3,500, according to Attom Data Solutions, a real-estate data firm. But many residents in New York, New Jersey, Connecticut and California had been deducting well over $10,000 a year. In Westchester County, N.Y., the average property-tax bill was more than $17,000, the highest in the country.

Among the people who are uprooting, many say they had long considered a change. But they saw the tax law as a reason to finally undertake the potentially difficult task of changing their state residency. "It was another bucket of straw on the back of the camel," said John Lee, a wealth-management executive and longtime resident of the Sacramento, Calif., area. Mr. Lee and his wife, Tracy, moved their primary residence last winter to Incline Village, a resort community on the Nevada side of Lake Tahoe. The Lees kept their California home, where one of their six adult children is living. That means they are still paying California property taxes. But Mr. Lee estimates the move to Nevada, which has no state income tax, whacked his state tax bill by 90%.

In the 10 states that typically have the highest property taxes and mortgage interest amounts, including California, New York and Massachusetts, home-price growth dropped right after the tax law passed, according to an analysis by Fitch Ratings Inc. Home-price growth held steady for the 10 states that typically have the lowest property taxes and mortgage-interest amounts, including Tennessee, Missouri and Alabama. Other factors affected home prices too, such as an oversupply of high-end homes and rising mortgage rates at the end of 2018. But the tax law played a key role, Fitch found. Rick Bechtel, head of U.S. residential lending at TD Bank, lives in the Chicago area and said he recently went to a party where it felt like everyone was planning their moves to Florida. "It's unbelievable to me the number of conversations that I'm listening to that begin with 'When are you leaving?' and 'Where are you going?' " he said.

The dynamic is affecting even states typically thought to have low taxes. Mauricio Navarro and his family left Texas last year for Weston, Fla. Neither state collects its own income tax, but Mr. Navarro was paying more than $25,000 annually in property taxes in the Houston area, he said. Texas ranks among the states with the highest share of taxpayers who pay more than $10,000 in property taxes, according to the National Association of Home Builders. Filling out his 2018 tax returns helped motivate him to move with his wife and two children, said Mr. Navarro, who owns a software-development business. “It was not that we were struggling,” he said. “It’s that we did some analysis.” Mr. Navarro is renting but plans to eventually buy a home in Florida. He expects his property tax bill will be lower than it was in Texas.

Some of the most pronounced effects are playing out between states with vastly different income-tax regimes. California has lost residents to Nevada for years, but that accelerated after the tax law passed. Nevada picked up a net of 28,000 people from California in 2018, according to the U.S. Census Bureau. That is the second-highest year since before the financial crisis. Nevada home prices rose more than 12% from the end of 2017 to November, roughly double the change in California prices, according to online real-estate company Zillow Group Inc. Ruchelle Stuart, a real-estate broker in Las Vegas, has tailored her business around people looking to move from California. “The reason people from California don’t mind it so much here is that home is only three and half hours away,” she said.

More movers are on the way. Mr. Belardi and Ms. LaPorte, who are planning to leave San Francisco, recently bought land at Clear Creek. The golf course development, on the Nevada side of Lake Tahoe, advertises that state income taxes are “zilch.” The couple said that for years they have been growing tired of state and local politics, as well as the difficulty of running their two small businesses in California. Mr. Belardi does construction consulting and Ms. LaPorte has an organizational development advisory business. The 2017 cap on deductions was icing on the cake, they said. They estimate the move will save them tens of thousands of dollars annually. “I just hope all the Californians going to Nevada don’t turn Nevada into a California,” Mr. Belardi said.

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So Long, California. Sayonara, New York; Blue states will lose millions of people in the years to come – and they aren’t ready.

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By Arthur B. Laffer and Stephen Moore, ***The Wall Street Journal*,** April 24, 2018

As the Trump tax cut was being debated in December, California’s Gov. Jerry Brown called the bill "evil in the extreme" and fumed that it would "divide the hell out of us." He's right--but in the end, this change could be good for all the states. In the years to come, millions of people, thousands of businesses, and tens of billions of dollars of net income will flee high-tax blue states for low-tax red states. This migration has been happening for years. But the Trump tax bill's cap on the deduction for state and local taxes, or SALT, will accelerate the pace. The losers will be most of the Northeast, along with California. The winners are likely to be states like Arizona, Nevada, Tennessee, Texas and Utah. For years blue states have exported a third or more of their tax burden to residents of other states. In places like California, where the top income-tax rate exceeds 13%, that tax could be deducted on a federal return. Now that deduction for state and local taxes will be capped at $10,000 per family.

Consider what this means if you're a high-income earner in Silicon Valley or Hollywood. The top tax rate that you actually pay just jumped from about 8.5% to 13%. Similar figures hold if you live in Manhattan, once New York City's income tax is factored in. If you earn $10 million or more, your taxes might increase a whopping 50%. About 90% of taxpayers are unaffected by the change. But high earners in places with hefty income taxes – not just California and New York, but also Minnesota and New Jersey – will bear more of the true cost of their state government. Also in big trouble are Connecticut and Illinois, where the overall state and local tax burden (especially property taxes) is so onerous that high-income residents will feel the burn now that they can't deduct these costs on their federal returns. On the other side are nine states--including Florida, Nevada, Texas and Washington--that impose no tax at all on earned income.

Last week the two of us, along with co-author Jonathan Williams, released the 11th annual edition of "Rich States, Poor States," a report published by the American Legislative Exchange Council. The report ranks each state's economic outlook using a range of variables. One is domestic migration: Are the U-Haul trucks and vans moving people in, or moving them out? Over the past decade, about 3.5 million Americans on net have relocated from the highest-tax states to the lowest-tax ones. Since 2007 Texas and Florida (with no income tax) have gained 1.4 million and 850,000 residents, respectively, from other states. California and New York have jointly lost more than 2.2 million residents. Our analysis of IRS data on tax returns shows that in the past three years alone, Texas and Florida have gained a net $50 billion in income and purchasing power from other states, while California and New York have surrendered a net $23 billion. Now that the SALT subsidy is gone, how bad will it get for high-tax blue states? Very bad. We estimate, based on the historical relationship between tax rates and migration patterns, that both California and New York will lose on net about 800,000 residents over the next three years--roughly twice the number that left from 2014-16. Our calculations suggest that Connecticut, New Jersey and Minnesota combined will hemorrhage another roughly 500,000 people in the same period.

Red states ought to brace themselves: The Yankees are coming, and they are bringing their money with them. Meanwhile, the exodus could puncture large and unexpected holes in blue-state budgets. Lawmakers in Hartford and Trenton have gotten a small taste of this in recent years as billionaire financiers have flown the coop and relocated to Florida. As the migration speeds up, it will raise real-estate values in low-tax states and hurt them in high-tax states. As far as we can see, the only way for blue states to prevent this coming fiscal bloodbath is to start taking tax competitiveness seriously--and to cut their tax rates in response. Progressives should do the math: A 13% tax rate generates zero revenue from someone who leaves the state for friendlier climes.

Blue states ought to be able to lower their taxes and spending dramatically without jeopardizing vital services. Despite its shrinking tax base, New York spends nearly twice as much on state and local government per person ($16,000) as does economically booming Tennessee ($9,000). Alas, delusional liberal interest groups want blue states to respond to the Trump tax cuts by soaking their rich residents even more. If that happens, our best advice to blue-state residents is simple: Git while the gittin's good.

Mr. Laffer is chairman of Laffer Associates. Mr. Moore is a senior fellow at the Heritage Foundation. They are co-authors of the ALEC annual report "Rich States, Poor States."