

real estate insights

May 2010

Real Intelligence –
Real Advantages

In This Issue

Watching out for “Greece” and Oil. Both existing-home sales and pending sales have continued to increase. Home prices also continue to stabilize. The U.S. economy as well is posting positive figures. There was even good news in the jobs market. But in his commentary this month, NAR Chief Economist Lawrence Yun tells us that while improving conditions may help give a boost to consumer confidence, we need to watch out for the fall-out from the Greek crisis as well as the looming and possibly lingering impacts of the Gulf of Mexico oil disaster. **Read more.**

First-quarter 2010 metro area home prices and state resales. The latest figures on metropolitan area home prices have been released by NAR and they show that a growing number of metropolitan areas experienced price gains from a year ago. At the same time, most states posted healthy gains in home sales from the first quarter of 2009. Wannasiri Chompoopet, Manager of Existing-Home Sales, reports. **Read more.**

Using NAR Research. Vacation-home purchases, like those of primary residences, declined after the housing boom. But a recent survey from NAR Research shows that sales of vacation homes rose (in 2009) from the previous year. What does it mean for REALTORS® and their clients? Check out our *Using NAR Research* column. **Read more.**

The Great “Member” Profile. The new **2010 NAR Member Profile** was released earlier this month and indicates that the majority of REALTORS® are sales agents who typically specialize in residential brokerage. It also reveals that three quarters of them expect to remain in real estate for at least the next two years. Research Economist Jessica Lautz looks at business characteristics of REALTORS® based on this updated study. **Read more.**

Behind the Numbers. This month we debut another new feature, *Behind the Numbers*. This column will look at the statistics gathered, analyzed and published by NAR, as well as those from other organizations. **Read more.**

Pending home sales increased again in March. NAR's pending home sales index rose to 102.9 – 5.3% ahead of the reading in February and a 21.1% increase from the index in March of 2009. Pending sales rose in all regions of the country from a year ago. The index suggests we can expect a surge of home sales for the spring home-buying season. **Read more.**

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NATIONAL ASSOCIATION
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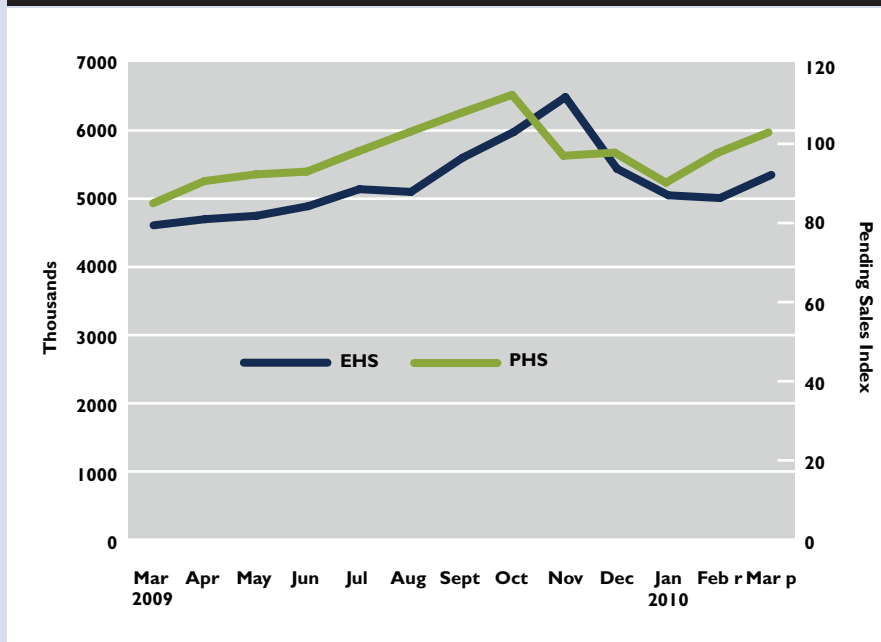
Monthly Indicator	Recent Figures	Likely Direction Over the Next Six Months	Forecast
 <p>Existing-home sales rose 6.8% in March to a seasonally adjusted annual rate of 5.35 million units. Resales were up 16.1% from their level in March 2009. First-time buyers accounted for 44% of transactions during the month. The supply of homes available for sale at the end of March was at an 8.0-month supply at the current sales pace. The national median existing-home price was \$170,700 in March, up 0.4 percent from March 2009.</p>	Mar 2010 5,350 Feb 2010 5,010 Mar 2009 4,610		Surge has passed by; now looking to settle in comfort zone
 <p>New home sales increased by 26.9% in March from the previous month, to a seasonally adjusted annual rate of 411,000 units. New residential sales in March were 23.8% ahead of the pace a year ago and at their highest level since August of 2009. There were 228,000 units available for sale at the end of the month, a 6.7-month supply at the current sales rate.</p>	Mar 2010 411 Feb 2010 324 Mar 2009 332		Bounce from very low levels
 <p>Housing starts rose 2.6% in March, registering a seasonally adjusted annual rate of 626,000 units. Starts were 20.2% ahead of the level in March of 2009. Housing permits – generally a reliable indicator of future starts – posted a rate of 685,000 (SAAR) – a 7.5% increase from February’s rate and a 34.1% increase from a year ago.</p>	Mar 2010 626 Feb 2010 616 Mar 2009 521		Home builders are more willing to build than are lenders willing to lend construction loans
 <p>Housing affordability. NAR’s Housing Affordability Index posted a reading of 170.6 in March, down from February’s revised index of 176.5. Despite the decline, housing affordability is still at near-historic levels, and well above annual levels posted in 2007 and 2008.</p>	Mar 2010 170.6 Feb 2010 176.5 Mar 2009 177.5		Coming off from peak heights
 <p>Mortgage rates The average rate on a 30-year fixed mortgage rose in April to 5.10% – its highest level since the summer of 2009. While still at historic lows, rates on conventional and FHA loans are likely to rise, primarily because of expected increases in 10-year Treasury note yields as well as the end of the Federal Reserve’s program of purchasing mortgage-backed securities.</p>	Apr 2010 5.10% Mar 2010 4.97% Apr 2009 4.82%		Recovering economy pushes up rates
 <p>Employment The U.S. economy added 290,000 non-farm payroll jobs in April – besting most analysts expectations and the largest job gain in four years. Private-sector payrolls accounted for 231,000 of the new positions. Job gains for February and March were better than originally reported. Tempering the positive news was the rise in the unemployment rate to 9.9%, although that was due to more people looking for work during the month.</p>	Apr 2010 +290 Mar 2010 +230 12-month total: -1,381		Job gains even in the construction and manufacturing sectors
 <p>Economic growth The U.S. economy posted positive growth again in the first quarter of 2010. Real GDP grew at a 3.2% annual growth rate (from the previous quarter). This is the initial estimate of 1st quarter 2010 economic growth. Contributing to the growth rate was a jump in consumer spending of 3.2%. Consumer spending accounts for almost 70% of U.S. GDP.</p>	2010:I +3.2% 2009:IV +5.6% 2009:I -6.4%		Decent, not robust, economic growth

Notes: All rates are seasonally adjusted. Existing home sales, new home sales and housing starts are shown in thousands. Employment growth is shown as month-to-month change in thousands. Sources: NAR, Bureau of the Census, Bureau of Labor Statistics and Freddie Mac. This report reflects data as of May 7, 2010. Compiled by Wannasiri Chompoopet, Ken Fears and Lawrence Yun.

Pending home sales increased again in March. NAR's Pending Home Sales Index posted a reading of 102.9 for the month – a 5.3% increase from February's reading of 97.7 and 21.1% above the index in March of 2009. The Pending Home Sales Index is a forward-looking indicator based on pending sales of existing homes. A sale is listed as pending when the contract has been signed but the transaction has not yet closed. Sales are usually finalized within one to two months of signing. The index is based on a large national sample, typically representing about 20 percent of transactions for existing-home sales. In developing the model for the index, it was demonstrated that the level of monthly sales contract activity from 2001 through 2004 paralleled the level of closed existing-home sales in the following two months. Please note there is a closer relationship between annual index changes (from the same month a year earlier) and year-ago changes in sales performance than with month-to-month comparisons. An index of 100 is equal to the average level of contract activity during 2001, which was the first year to be examined, as well as the first of five consecutive record years for existing-home sales. The increase in pending sales portends a surge in home sales for the spring home-buying season. Favorable affordability conditions have been working in tandem with the tax credit to spur home buying. The tax credit expired on April 30, 2010. Later in the second half of the year, and into 2011, home sales will likely become self-sustaining if the economy can add jobs at a respectable pace, and from a return of buyer demand as home values stabilize.



Pending Home Sales (existing home sales lagged by 1-2 months)



Source: NAR Research

The Good News – Tempered by Greece – and Oil

by Lawrence Yun, NAR Chief Economist

It's certainly been an interesting past month. We've seen up and down movement in the stock market, concerns about mine safety, a potential environmental catastrophe, primary elections in many states, and the (fortunately) unsuccessful bomb threat in Times Square. Of course, most of those developments have little direct impact on housing. That's the good news. So let's take a look first at what we know for sure from the latest housing statistics.

Home sales continued to recover in March. Existing-home sales – which reflect closings (not contract signings) – rose 6.8 percent from the previous month. At the same time, pending home sales rose 5.3 percent. Distressed sales, those that are short sales or foreclosed sales, accounted for roughly one-third of all transactions and will likely continue to represent a sizable portion for the rest of the year. Why? Because mortgage delinquencies are still very high. Meanwhile, new home sales, which unlike existing-home sales actually reflect contracts and not closings, rose 27 percent. Remember though that we are already in May and the home buyer tax credit has expired (as of April 30); data collection for April is still taking place and so the figures are likely to be even higher. A nice uptick in mortgage purchase applications in April points in that direction.

That home buyer tax credit did exactly what it was intended to do – spurred home sales, especially among first-time buyers. In fact, first-time buyers accounted for 44 percent of home sales in March, up slightly from 40 percent in January and 42 percent in February. Despite all the anecdotal chatter about their heavy presence in the housing market, investors made up only 19 percent of all buyers (according to our REALTOR® survey of recent clients). That 19 percent share is about the historical norm. What is out of the norm is the proportion of *all-cash purchases*. As has been the case for several recent months, one-fourth of all buyers in March made their home purchase *sans* financing (i.e., without taking out a mortgage). In normal times, all-cash purchases would make up about 10 percent of transactions.

Home prices are recovering as well. The median transacted existing-home price squeaked out a 0.4 percent gain in March compared to one year ago. New home prices advanced 4.3 percent. Other price measurements from Case-Shiller and Core Logic, both of which have a longer data lag time, also showed a modest price increase in February. Only the Federal Housing Finance Board's price data, which is based only on Fannie Mae and Freddie Mac backed loans, posted a price decline from 12 months ago.

Surprisingly, housing inventory – despite higher sales activity – has been rising. That is because fresh *listings* have been rising faster than the existing inventory has been absorbed. A combination of foreclosures, short sales, and homeowners who have not wanted to sell during the depths of the downturn last year are evidently contributing to the supply. There were 3.6 million existing homes for sale at the end of March. In addition, there are still too many vacant homes; the best estimate is at about 700,000 above normal levels. But the new home

inventory of 228,000 units is the lowest level in 50 years. The very depressed housing starts have quickly helped to chip away at the inventory of newly constructed homes. Aside from home builders who are concerned about competing with deeply discounted distressed existing homes, builders are also encountering a problem of being unable to obtain construction loans. Even so, broadly speaking the inventory overhang will be with us and hold annual home price growth in the low single-

That home buyer tax credit did exactly what it was intended to do – spurred home sales. By autumn of 2010, it will be up to job creation and consumer confidence to do the trick in supporting the housing market.

digits for at least five years. Some local markets (there's that “all real estate is local” mantra again), however, will easily surpass national growth rates, and could see double-digit price growth this and next year. One region poised for better price gains is the low local inventory markets in Southern California.

Now that the housing market is truly on its own, what can we expect? In the immediate months following the tax credit expiration date, home sales will slide measurably lower. By autumn of 2010, it will be up to job creation and consumer confidence to do the trick in supporting the housing market. Another potentially big demand source is that from improving funding for jumbo and second-home mortgages. These segments of the housing market were essentially shut down last year because these mortgages did not have government backing and the banks were scrambling to boost their capital to be well beyond the ‘stress-test’ levels. As a result we saw much bigger swings in the second-home market. Second home sales in 2009, for example, were down 55 percent from their peak level in 2005. Primary home sales, meanwhile, declined by “only” 23 percent over the same period. The good news is that in the recent past months steadily improving signs of increased lending for jumbo and second-home mortgages have been appearing. That is not surprising given the huge profits and much improved capital situation in the banking sector. Banks are steadily moving towards more normal lending activity even to the sectors that do not have government backing. Therefore, there could be a nice swing back of high-end jumbo home sales and vacation home sales this year. (For more about vacation home sales activity, see the *Using NAR Research* column in this issue of *Real Estate INSIGHTS*.)

But a new menace could derail this optimistic scenario: Greece! That country, in short, is bankrupt. It is unable to raise

The Good News – Tempered by Greece – and Oil (continued)

revenue to pay for government spending, including pension benefits for many who have retired at the age of 55. The Greek government has been borrowing heavily to plug the budget gap, but investors are asking if they will ever get their loaned funds back from the Greek treasury. Germany, in particular, is irate that its citizens, who typically retire at a much older age than do Greeks, are being asked to provide pension money for Greek citizens. In the meantime, Greece is ready to ratchet up the argument by blaming the crisis on foreigners and greedy lenders.

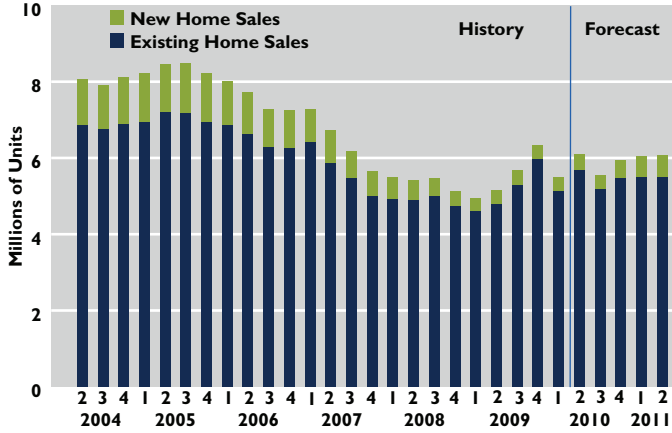
So, how do such events in a far-off land impact the U.S. housing market? If Greece defaults then German and many other banks will see their capital evaporate. That in turn will make it difficult to lend to other countries like Portugal and Spain to finance *their* budget deficits. If Portugal or Spain also defaults via contagion, then another major credit crisis is on hand. (Ireland would have been included in the list of potentially troubling countries with unsustainable government debt, but the Irish decided to drastically cut salaries, furloughed many government employees and convinced its investors it will repay the loans.) Global financial linkages assure that U.S. banks will also take some hit in their capital buffer. Jumbo and second-home mortgages – good bye! At the moment, the potential for the spread of this contagion all the way to the U.S. is a small probability, though it will be highly significant if it were to occur.

Finally, there is the oil spill in the Gulf of Mexico. As of the writing of this article (early May), it is still too soon to accurately assess all the wreck that will eventually materialize. It may be years before some of the affected local economies get fully back on their feet. For the broader U.S. economy, the oil spill will mean two things. First, the price of oil will rise measurably – or more imported oil will have to be brought to the U.S. In both scenarios, economic growth will be held back. If oil prices were to rise to \$100 per barrel and stay there, then GDP growth will likely be reduced by one percentage point (GDP growth of 1.9 percent rather than the current forecast of 2.9 percent). If more oil is imported then the net export equation deteriorates. Slower economic growth will mean slower job expansion and a higher U.S. budget deficit. Neither of those results are positive for our economy, or real estate. It's a waiting game.

The fall-out from the Greek budget crisis as well as the uncertainty of the impact of the Gulf of Mexico oil spill could negatively impact our forecast for moderate but consistent GDP growth.

Home Sales

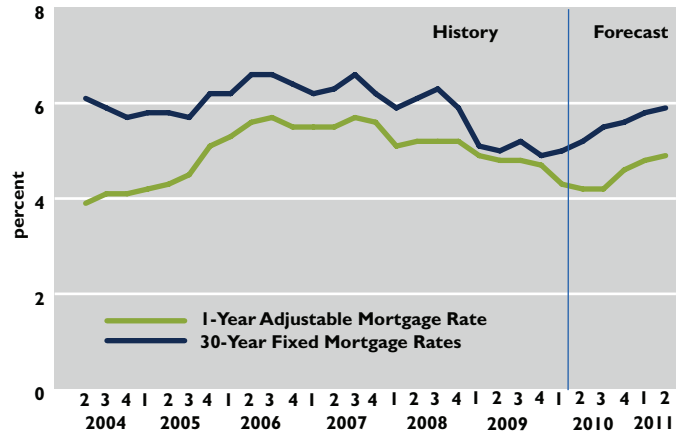
More sustainable sales activity ahead



Sources: NAR, Bureau of the Census, NAR Forecast

Mortgage Rates

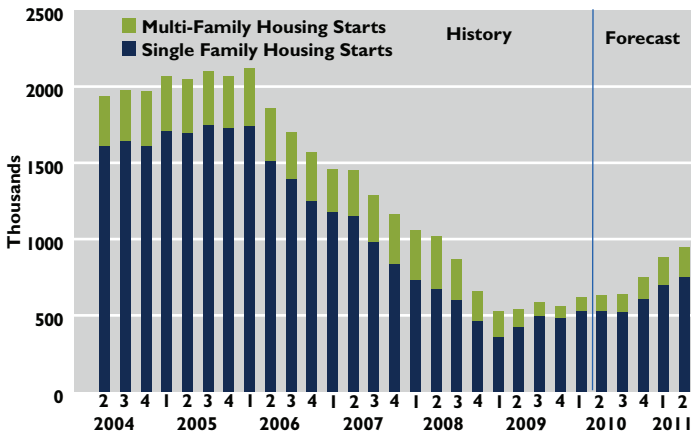
Rising, but still below 6 percent



Sources: Freddie Mac, NAR Forecast

Housing Starts

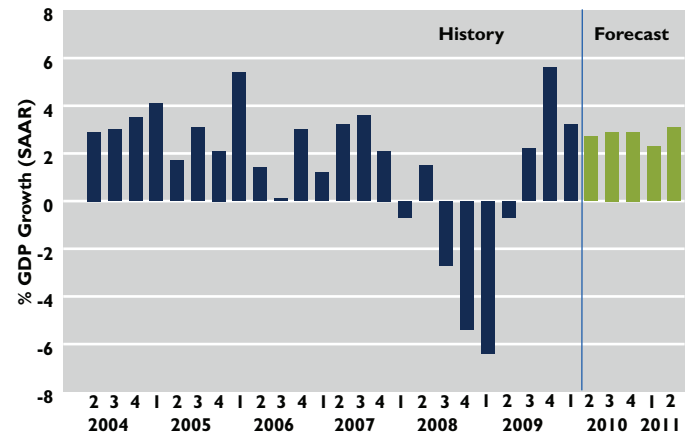
"Shovels in ground" – construction levels improving by end of year



Sources: Bureau of the Census, NAR Forecast

Economic Growth

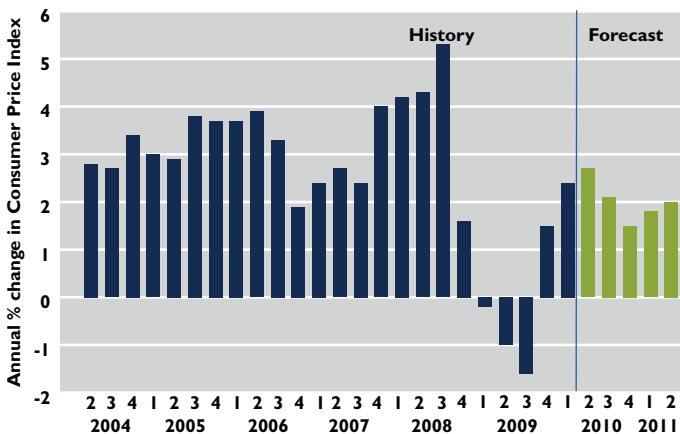
Slow to moderate growth



Sources: Bureau of Economic Analysis, NAR Forecast

Inflation

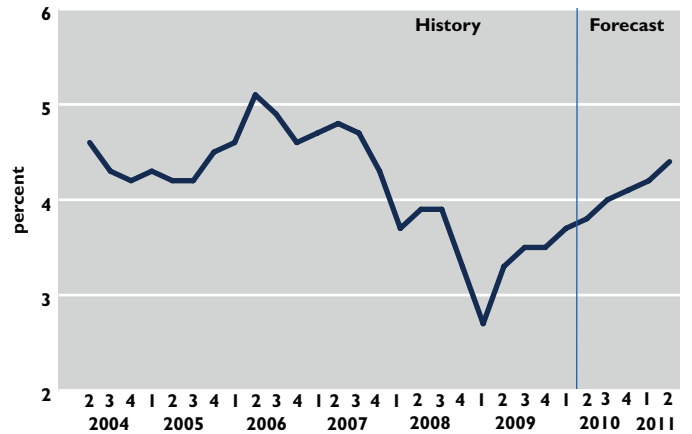
Continued tame for the foreseeable future



Sources: Bureau of Labor Statistics, NAR Forecast

10-Year Government Bond Yield

Rising in the wake of ongoing economic recovery



Sources: Federal Reserve Board, NAR Forecast

U.S. Economic Outlook

May 2010

	2009				2010				2011		2008	2009	2010	2011
	I	II	III	IV	I	II	III	IV	I	II				
U.S. Economy														
<i>Annual Growth Rate</i>														
Real GDP	-6.4	-0.7	2.2	5.6	3.2	2.7	2.9	2.9	2.3	3.1	0.4	-2.4	3.1	2.8
Nonfarm Payroll Employment	-6.4	-5.0	-3.1	-1.3	0.0	0.8	1.2	1.1	0.7	0.8	-0.6	-4.3	-0.6	0.8
Consumer Prices	-2.2	1.9	3.7	2.6	1.5	3.2	-0.3	0.4	3.8	2.1	3.8	-0.3	2.0	1.8
Real Disposable Income	0.2	6.2	-3.6	1.0	0.0	0.1	2.0	3.2	3.3	3.9	0.5	0.9	0.6	2.9
Consumer Confidence	30	48	52	51	52	56	57	61	64	70	58	45	57	69
Percent Unemployment	8.2	9.3	9.7	10.0	9.7	9.8	9.7	9.7	9.7	9.6	5.8	9.3	9.7	9.6
<i>Interest Rates, Percent</i>														
Fed Funds Rate	0.2	0.2	0.2	0.1	0.1	0.2	0.2	0.8	1.0	1.5	1.9	0.2	0.3	1.9
3-Month T-Bill Rate	0.2	0.2	0.2	0.1	0.1	0.2	0.3	0.7	1.0	1.5	1.4	0.2	0.4	1.8
Prime Rate	3.3	3.3	3.3	3.3	3.3	3.2	3.3	3.6	4.0	4.5	5.1	3.3	3.3	4.9
Corporate Aaa Bond Yield	5.3	5.5	5.3	5.2	5.3	5.3	5.4	5.5	5.6	5.8	5.6	5.3	5.4	5.8
10-Year Government Bond	2.7	3.3	3.5	3.5	3.7	3.8	4.0	4.1	4.2	4.4	3.7	3.3	3.9	4.5
30-Year Government Bond	3.5	4.2	4.3	4.3	4.6	4.4	4.6	4.7	4.8	5.0	4.3	4.1	4.6	5.0
<i>Mortgage Rates, percent</i>														
30-Year Fixed Rate	5.1	5.0	5.2	4.9	5.0	5.2	5.5	5.6	5.8	5.9	6.1	5.1	5.3	6.0
1-Year Adjustable	4.9	4.8	4.7	4.4	4.3	4.2	4.2	4.6	4.8	4.9	5.2	4.7	4.3	4.9
Housing Indicators														
<i>Thousands</i>														
Existing Home Sales*	4,610	4,780	5,280	5,970	5,137	5,679	5,174	5,474	5,502	5,491	4,913	5,156	5,379	5,656
New Single-Family Sales	338	372	406	370	358	409	377	450	536	580	485	374	400	568
Housing Starts	528	540	587	559	617	633	638	746	882	947	904	553	659	980
Single-Family Units	358	425	498	481	525	525	524	608	701	748	622	441	545	783
Multifamily Units	169	115	88	77	92	108	115	139	181	199	282	113	114	198
Residential Construction**	368	344	360	363	353	368	372	385	411	438	451	359	369	449
<i>Percent Change – Year Ago</i>														
Existing-Home Sales	-6.8	-2.8	5.7	26.7	11.4	18.8	-2.0	-8.3	7.1	-3.3	-13.1	4.9	4.3	5.1
New Single-Family Sales	-40.1	-27.1	-11.7	-5.4	5.9	10.0	-7.2	21.5	49.8	41.8	-37.5	-22.8	6.9	42.0
Housing Starts	-50.2	-46.9	-32.4	-15.1	16.9	17.2	8.8	33.6	42.9	49.7	-33.3	-38.8	19.0	48.9
Single-Family Units	-51.2	-36.6	-16.6	4.3	46.4	23.4	5.1	26.2	33.6	42.6	-40.5	-29.1	23.7	43.6
Multifamily Units	-47.8	-66.8	-67.3	-60.7	-45.5	-5.8	29.9	79.7	95.9	83.9	-8.7	-60.1	0.9	74.4
Residential Construction	-23.9	-25.6	-18.9	-12.5	-4.2	6.8	3.3	5.9	16.6	19.2	-0.6	-20.5	2.9	21.6
Median Home Prices														
<i>Thousands of Dollars</i>														
Existing Home Prices	167.6	174.4	178.1	170.8	166.7	177.0	184.0	176.8	172.7	183.4	198.1	172.5	176.9	183.4
New Home Prices	207.8	218.7	212.6	218.8	217.1	225.7	220.7	227.8	226.7	236.3	232.1	215.9	223.1	233.5
<i>Percent Change – Year Ago</i>														
Existing Home Prices	-15.6	-16.2	-11.6	-5.5	-0.5	1.5	3.3	3.5	3.6	3.6	-9.5	-12.9	2.5	3.7
New Home Prices	-11.8	-7.6	-6.7	-1.2	4.5	3.2	3.8	4.1	4.4	4.7	-6.4	-7.0	3.3	4.7
Housing Affordability Index	181	174	161	171	175	157	143	144	145	133	139	172	154	133

Quarterly figures are seasonally adjusted annual rates.

* Existing home sales of single-family homes and condo/co-ops; ** billion dollars

Home Prices Rise in More Metro Areas, First Quarter Resales Up From a Year Ago

by Wannasiri Chompoopet, Manager, Existing-home Sales

The latest figures on metropolitan area home prices have been released by NAR and they show that a growing number of metropolitan areas are experiencing price gains from a year ago. At the same time, most states posted healthy gains in home sales from the first quarter of 2009.

In the first quarter of 2010, 91 out of 152 metropolitan statistical areas showed year-over-year increases in the median sales price of existing single-family homes. Twenty-nine of those metros registered double-digit increases. In the fourth quarter 67 areas reported gains. On a national basis, the median existing single-family home price was fairly flat at \$166,100, down 0.7 percent from the first quarter 2009. Distressed homes, which typically are discounted by 15 percent relative to traditional homes, accounted for 36 percent of first quarter sales.

State Existing-Home Sales

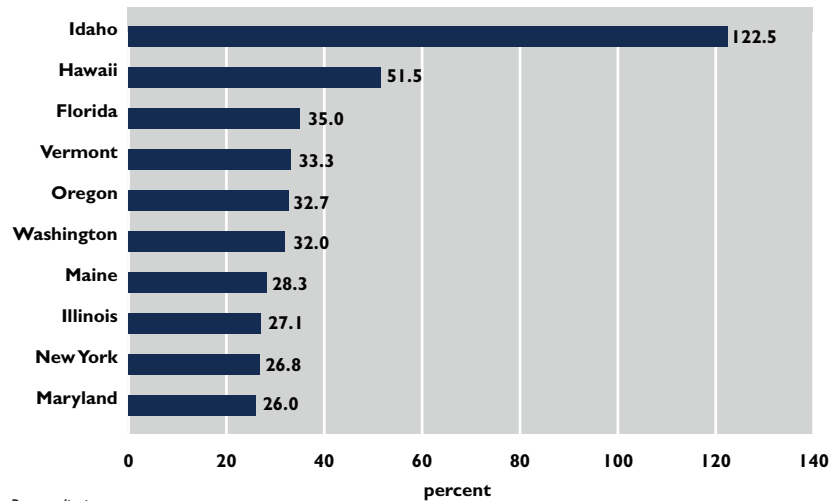
Total state existing-home sales, including single-family and condos/co-ops, posted a seasonally adjusted annual rate of 5.14 million units in the first quarter. While that figure is down 14.0 percent from the 4th quarter 2009 surge of 5.97 million units (most likely driven by the initial home buyer tax credit program), first quarter

sales were 11.4 percent above their 4.61 million-unit level in the first quarter of 2009. Year over year, resales rose from in 44 states and the District of Columbia; in fact, 31 states and the District experienced double-digit gains. NAR has been tracking state by state resales since 1981.



Top 10 States with Greatest Increase in Existing-Home Sales

percentage change from 2009:1 to 2010:1p

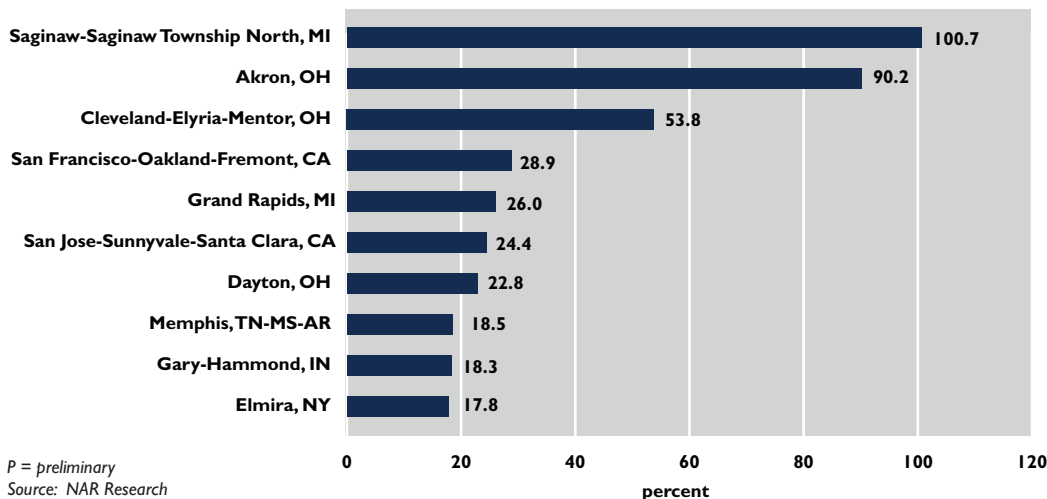


P = preliminary
Source: NAR Research

Idaho and Hawaii posted the largest increases in existing-home sales. Resales rose more than 100 percent in Idaho after having declined in the 4th quarter of last year. Existing-home sales in Hawaii increased more than 50 percent. Both states had experienced continued rising resales through the first three quarters of last year.

Top 10 Metro Areas with Greatest Price Increases in Existing Single-family Homes

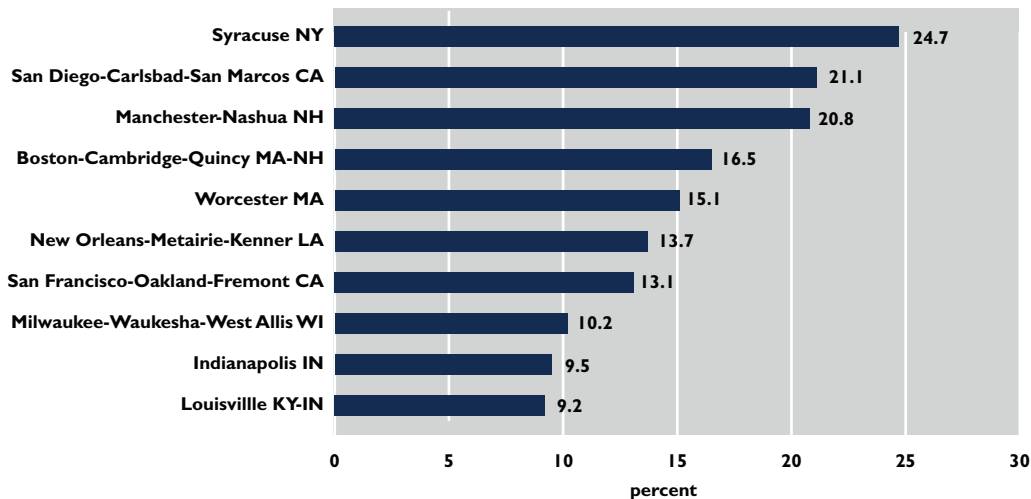
percentage change from 2009:1 to 2010:1p



P = preliminary
Source: NAR Research

Home Prices Rise in More Metro Areas, First Quarter Resales Up From a Year Ago (continued)


Top 10 Metro Areas with Greatest Price Increases for Condos/Co-ops percentage change from 2009:1 to 2010:1p



P = preliminary
Source: NAR Research

Median Home Prices

Metropolitan area median home prices for single-family homes ranged from \$60,800 in Saginaw-Saginaw Township North area in MI to \$621,200 in Honolulu HI. But the Saginaw metro posted the largest increase in the median sales price of home on a year over year basis, rising more than 100 percent from the \$30,300 registered in the 1st quarter of last year. There were solid single-family price gains in a variety of metro areas, including three metros in Ohio (Akron, Dayton and Toledo) and two areas in Northern California (San Francisco-Oakland-Fremont and San Jose-Sunnyvale-Santa Clara).

 NAR began tracking metropolitan area median single-family home prices in 1979.

Figures on metropolitan area condo/co-op prices show that on a national basis, the existing-condo price was virtually unchanged – at \$170,700 – in the 1st quarter of this year, down just 0.1 percent from a year ago. But 24 metros posted increases in the median price of condos/co-ops, compared with only 11 which showed increases in the fourth quarter. The largest increase was in Syracuse NY, rising 24.7 percent from the first quarter of 2009.

The metro area condo price series

dates back to 1989 and covers changes in 55 metro areas. Because there is a concentration of condos in high-cost metro areas, the national median condo price is generally higher than the median single-family price. In a given market area, condos typically cost less than single-family homes.



As the reporting sample expands in the future, additional areas will be included in the condo price report.

“Figuring out” the figures

Stabilizing home prices are encouraging. This flattening in home prices is something we’ve been seeing in all of the home price measures lately, and quite clearly evident in this metro area price report. The tax credit has been very effective in drawing down excess inventory, with about one million additional sales resulting directly from the stimulus. The figures also point to a change in market psychology. The economy is improving; even recent jobs numbers were encouraging. That is helping to return confidence among buyers.

But there are still challenges. The housing market continues to held back from a full-fledged recovery because of mortgage issues. According to findings published in the new **2010 NAR Member Profile**, one third of NAR members report that obtain-

ing a mortgage is the most important factor limiting potential clients from purchasing a home. In addition, the REALTORS® Confidence Index (posted online on April 26 2010) reveals that 11 percent of REALTORS® had a contract canceled because an appraisal came in at less than the price negotiated between a buyer and seller. Another 16 percent report a contract had to be renegotiated because of a low appraisal. NAR leaders and staff will continue their discussions with about these other issues with government and industry leaders to



insure that housing remains at the forefront of economic policy decisions.

Vacation Homes: Still An Active Market

by Jessica Lautz, Research Economist

As the residential housing market began to show improvement in late 2009 and early 2010, new research shows that sales of vacation homes also improved. NAR's **2010 Investment and Vacation Home Buyers Survey**, covering existing- and new-home transactions in 2009, indicates vacation-home sales rose 7.9 percent to 553,000 last year from 513,000 in 2008. NAR's analysis of U.S. Census Bureau data shows there are 7.9 million vacation homes and 41.1 million investment units in the U.S., compared with 75.0 million owner-occupied homes.

Vacation-home Buyers

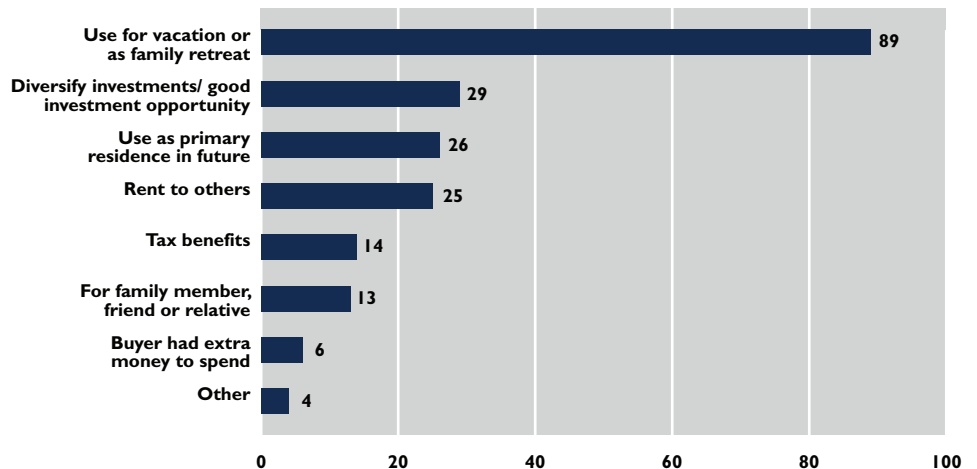
Similar to buyers of primary residences, three out of four second-home buyers were married couple households. Second-home purchasers tended to be older and have higher household incomes than did the typical purchaser of a primary residence. The typical vacation-home buyer in 2009 was 46 years old, had a median household income of \$87,500, and purchased a property that was a median distance of 348 miles from their primary residence; 34 percent were within 100 miles and 40 percent were more than 500 miles. Investment-home buyers had a median age of 45, earned \$87,200, and bought a home that was relatively close to their primary residence – a median distance of 24 miles. Roughly one in four investment buyers purchased more than one property in 2009.

Why did buyers purchase a vacation home? The reasons varied, but the typical vacation-home buyer indicated they were making a lifestyle choice. Nine out of 10 reported that they intended to use the property for vacations or as a family retreat. Only one in four vacation-home buyers plan to rent their properties to others. However, 26 percent of vacation-home buyers intend to use the property as a primary residence in the future.

Type, Location and Price of Vacation Homes Purchased

In keeping with trends in the past, the majority of vacation homes purchased were located in the South and the West. Half of vacation homes purchased last year were in the South, and 21 percent in the West. The Midwest accounted for 17

Reasons for Purchasing Vacation Home (percent)



Source: The 2010 NAR Investment and Vacation Home Buyers Survey

percent of vacation-home purchases, and the Northeast 12 percent. The majority of vacation homes (seven out of ten) were detached single-family homes. Vacation home purchases were generally located in a rural area, small town or resort. The median transaction price of a vacation home was \$169,000 in 2009, compared with \$150,000 in 2008. All second-home buyers are less likely to finance their vacation or investment home purchase than the purchase of their primary residence. Similar to results in last year's survey, cash factored strongly in the second-home market: three out of 10 vacation-home buyers in 2009 paid cash for their properties.

What Does It All Mean for REALTORS®?

The majority of vacation-home buyers – more than half – purchased their vacation property through a real estate professional. In addition, 80 percent of vacation-home purchasers said it was a good time to buy a vacation home. The median price of vacation homes was actually less than that for a primary residence. All those factors can be useful for real estate agents whose clients are considering a vacation home purchase. By sharing the data from the **2010 NAR Investment and Vacation Home Buyers Survey** with their clients, real estate professionals can

help consumers make informed decisions about the purchase of a vacation home.

About the Survey

The **2010 NAR Investment and Vacation Home Buyers Survey**, conducted in March 2009, includes answers from 1,930 usable responses. The survey controlled for age and income, based on information from the larger **2009 NAR Profile of Home Buyers and Sellers**, to limit any biases in the characteristics of respondents.

The **2010 NAR Investment and Vacation Home Buyers Survey** can be ordered by calling 800-874-6500, or online at www.realtor.org/newresearch. The report is free for NAR members; the cost is \$125 for non-members.



Type of Vacation Property Purchased

percentage distribution

Detached single-family	71%
Condo/apartment in 5+ unit building	11
Condo/duplex in 2-4 unit building	10
Townhouse or row house	5
Other	3

Source: The 2010 NAR Investment and Vacation Home Buyers Survey

The NAR Member Profile: Business Characteristics of REALTORS®

by Jessica Lautz, Research Economist, and Research Communications Staff

The National Association of REALTORS® conducts an annual survey of its members about their business characteristics, demographics, income, expenses, and use of technology. The new **2010 NAR Member Profile** has just been released. In this, the first of several articles based on this report, we focus on the business characteristics of REALTORS®.



REALTORS® have certainly faced challenges in the past year. Housing continued to struggle against the back drop of the “Great Recession.” The U.S. economy continued to bleed jobs. Despite this, membership in the National Association of REALTORS® fell by only 0.7 percent from 2008 to 2009. And perhaps because of those challenges, most REALTORS® diversify their business practices.

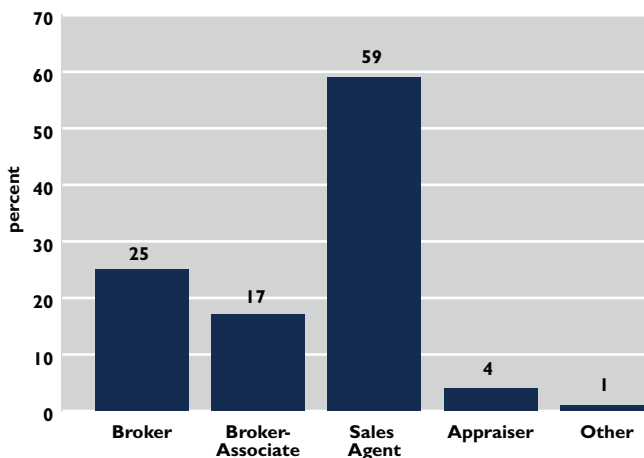
REALTOR® member characteristics were largely unchanged from those reported in 2009. The typical REALTOR® is an independent contractor affiliated with a firm of 29 agents and brokers catering to local markets. Sales agents are more evenly divided between independent non-franchised and franchised companies, while brokers are more likely to be affiliated with independent, non-franchised firms.

Type of License and Business Specialties

The majority of REALTORS® – 59 percent – are licensed as sales agents, and eight in ten specialize in residential brokerage. These results also differ little from those in last year’s Member Profile. The share of brokers/broker associates specializing primarily in residential brokerage has ranged between 75 and 81 percent in every survey since 1999. Business specialties for sales agents have varied more over time. Between 1999 and 2009, the share of agents specializing in residential brokerage ranged from 74 percent to 88 percent and is now near the upper end of that range.

The most commonly practiced secondary specialties among all members are relocation, commercial brokerage, and

REALTORS® by Type of License (percent)



Source: The 2010 NAR Member Profile

residential property management. Again, these results do not differ significant from those in the **2009 Member Profile**.

Experience

The majority of property buyers and sellers depend on the expertise and experience of real estate professionals. Indeed, the most recent **NAR Profile of Home Buyers and Sellers** indicates that 77 percent of residential buyers purchased their home through a real estate professional; 87 percent of sellers used a real estate agent in their sales transaction.

The experience of REALTORS® continues to expand. The vast majority of NAR members have been in the real estate business for at least three years. More than a third have had 16 or more years of experience working as a real estate professional. Only 10 percent of REALTORS® have been in the business for two years or less.

In the 2009 survey, there was a jump in experience as new membership slowed, and this has remained true for the 2010 Profile. REALTORS® in 2010 are more experienced than in 2008; the typical agent has 10 years of experience as opposed to 8 years reported in 2008.

Experience levels vary widely across

different functions. Managers and brokers who are not directly involved in selling reported the most experience. The typical broker who sells and appraisers were the next most experienced groups. The typical sales agent had seven years of experience.

Professional Designations and Affiliations

REALTORS® have many ways of distinguishing themselves and enhancing their knowledge of the real estate business. Through membership in an NAR affiliate,

Main Function of REALTORS® in Their Firm (percentage distribution)

Broker-owner (with selling)	15%
Broker-owner (without selling)	1
Associate broker	10
Manager	4
Sales agent	61
Appraiser	3
Other	6

Source: The 2010 NAR Member Profile

The NAR Member Profile: Business Characteristics of REALTORS® (continued)

Primary Business Specialty of REALTORS® (percentage distribution)

Residential brokerage	81 %
Commercial brokerage	4
Residential appraisal	3
Commercial appraisal	1
Relocation	1
Property management	5
Counseling	1
Land/Development	2
Other specialties	2

Source: The 2010 NAR Member Profile

obtaining a professional designation or certification in a specialty, these real estate professionals bring additional expertise to the real estate transaction.

A quarter of REALTORS® have an affiliate membership. The two most common affiliate memberships were the Real Estate Buyer's Agent Council (REBAC) and the Council of Residential Specialists (CRS). Among licensees, brokers and broker-associates are more likely to have an affiliated membership than sales agents.

More than a third of REALTORS® hold a professional designation. Almost half of brokers and broker-associate licensees hold at least one professional designation. Graduate REALTOR® Institute, Accredited Buyer Representative, and Certified Residential Specialist are the most prevalent designations.

Twenty-four percent of REALTORS® hold at least one of six certifications in specialized training. That is an increase from the 16 percent reported in 2009. The most common certifications are Short Sales and Foreclosures (a new certification offered this year) and e-Pro.

Real Estate as a Career

For most REALTORS®, real estate is their only occupation. In fact, more than three quarters of NAR members (77 percent) report this. In addition, 88 per-

cent of REALTORS® indicate that earnings from real estate account for at least 50 percent of their household income.

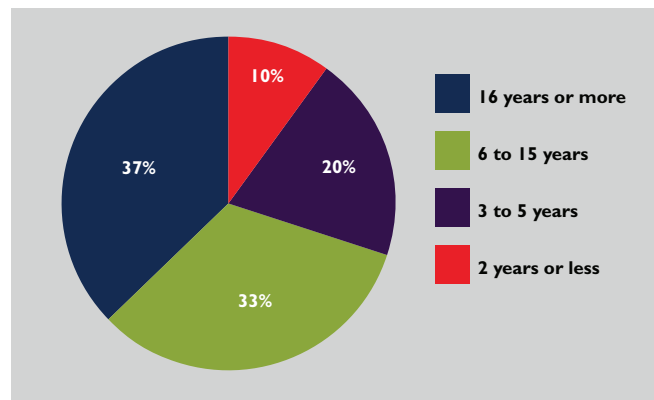
Despite the recent challenges in the real estate market, the majority of REALTORS® remain dedicated to the industry and plan on continuing their careers in the business. Three quarters of REALTORS® are "very certain" they will remain active in the market for at least the next two years. Only 8 percent were uncertain about their future in real estate.

For more information

The study's results are representative of the nation's 1.1 million REALTORS®, who account for 60 percent of the 1.1 million active real estate licensees in the

U.S. The **2010 National Association of REALTORS® Member Profile** was based on a survey of 58,022 members which generated 6,830 usable responses, representing an adjusted response rate of 6.7 percent. Income and transaction data are for 2009, while other data represent member characteristics in early 2010. The study can be ordered by calling 800-874-6500, or online. The profile is free for NAR members but costs \$125 for nonmembers.

Years of Experience in Real Estate (percentage distribution)



Source: The 2010 NAR Member Profile

Using Housing and Economic Data

by Jed Smith, *Managing Director, Quantitative Research*

Disjointed factoids from the evening news frequently substitute for economic information. When making important decisions, such as buying a home, consumers may not always have all the facts; after all, economics is not first on everybody's list. In last month's *Real Estate Insights*, we looked at key economic variables that can shed light on where the housing market is headed: employment, interest rates, consumer mood, and Gross Domestic Product (GDP)—data that is readily available at www.realtor.org/research.



A brief discussion of the actual data for the state of the economy can provide the facts—in contrast to the opinions available on talk shows.

In this first of our “Behind the Numbers” feature, the focus is on housing data. NAR presents sales and price information for the national housing markets:

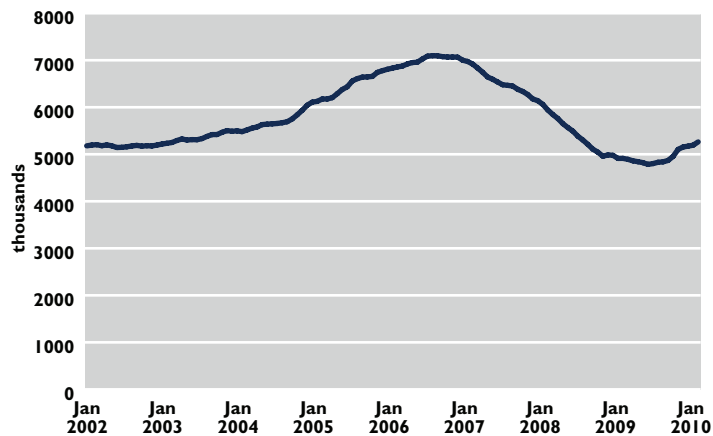
- Monthly data tracking sales and prices for Existing Home Sales (EHS) are available at www.realtor.org/research/research/ehsdata. The monthly data fluctuate a bit from month-to-month and show where the housing market is based on the annualization of the current month's sales. The monthly data can also be summed over a 12 month period to obtain a “12 month roll,” as discussed below.

- Price data at the city level (Metropolitan Statistical Areas) and state level sales information are available at www.realtor.org/research/research/metropice.

- Home affordability data, showing the real cost of a home over time, is available at www.realtor.org/research/research/housinginx.

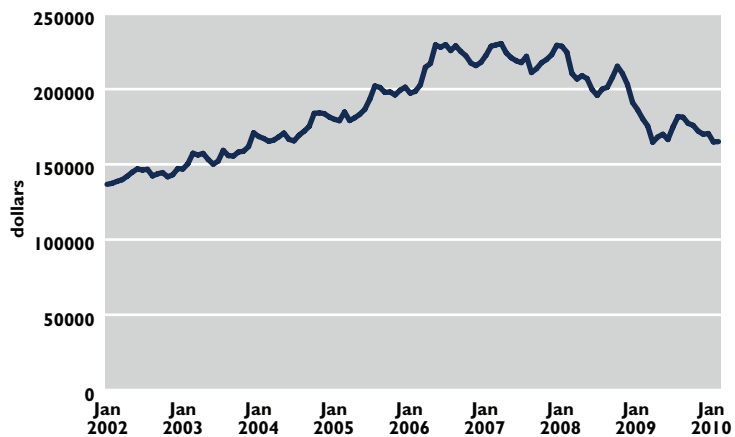
Given the current media focus on housing – especially as it relates to the economy in general – it is not surprising that the news has been filled with information on home sales and trends. An examination of the national data indicates the market is recovering. Sales

Total Home Sales – January 2000 – March 2010 12-month Rolling Basis



Source: NAR Research

Median Price of a Home January 2000 - February 2010



Source: NAR Research

fluctuate from month to month, but total sales measured on a 12 month rolling basis show a housing market in recovery mode. A “12 month roll” is the summation of total sales over the previous month; each month there is a new “12 month roll” as an additional month is added to the calculation and a month a year ago is dropped. Looking at these rolls over a time period shows the overall trend of the market. This information can be used in conjunction with NAR’s monthly annualized figures to get a feeling for where the market has been, where the market currently is, and where the market is trending. Home sales

data at the national level can be used in conjunction with local data to discuss comparisons of national and local trends. The “12 month roll” graph above shows a recovering market.

Home prices are also a matter of concern to potential home buyers and home sellers, as well as their real estate agents, investors and policy makers. The current data on home price trends appear to indicate that housing prices are leveling out. This information is consistent with what we have been hearing from a variety of experts around the country. Housing price data are readily available from NAR. While we hear a lot about

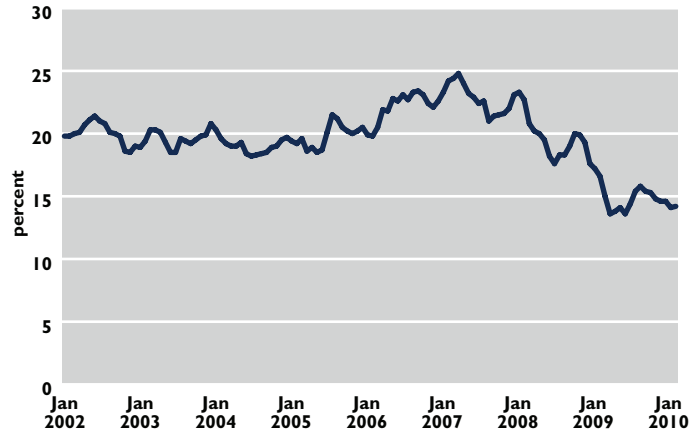
Using Housing and Economic Data (continued)

home prices on the news, a comparison of the national trends and those in local markets could provide potential home purchasers with useful information.

Finally, whether a household can actually afford to purchase a home is certainly a crucial factor in the home buying decision. NAR's measure of affordability – the NAR Housing Affordability Index (HAI) is based on interest rates and prices. The HAI shows that affordability is at a ten-year historical high in terms of affordability. Again, the comparison of national trends and local experience can provide a benchmark of the current market and serve as the basis for the discussion of the outlook. What may be most helpful to home buyers and their REALTORS® is to look at the trends relating to percent of household income spent on principal and interest payments.

In conclusion, a few readily available pieces of economic and housing market data – rather than sometimes wild assertions found in blogs -- can provide some insight both about the course of the economy as well as housing. A few charts of data can portray housing trends. The information at the national level can be combined with local data for specific markets and should give an improved overview of the housing markets.

Percent of Income Spent on Principal and Interest Payments for a Median-Priced Home

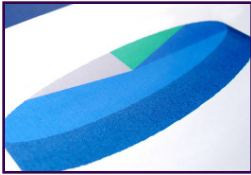


Source: NAR Research



Residential Housing Market Data: Monthly Series

- Pending Home Sales
- Existing Home Sales
- Median Sales Prices
- Housing Affordability Index



Residential Housing Market Data: Quarterly Series

- Existing Home Sales by State
- Metropolitan Area Median Sales Prices
- Housing Affordability Index (quarterly and first-time homebuyer)



Commercial Market Data and Reports

- Commercial Real Estate Forecast (quarterly)
- Commercial Real Estate Outlook (quarterly)
- Commercial Real Estate Leading Indicator (quarterly)
- 2009 NAR Commercial Member Profile
- Commercial Real Estate Market Survey



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The 2010 NAR Member Profile

NAR surveys its members every year about their business activities, use of technology, relationship to their firms, as well as basic demographic characteristics such as age, income, and homeownership status. Data collected through these surveys are analyzed and published in the Association's annual Member Profile report. The new 2010 edition of this popular profile is now available. Chapters include:

- Business Characteristics of REALTORS®
- Business Activity of REALTORS®
- Income and Expenses of REALTORS®
- Office and Firm Affiliations of REALTORS®
- Demographic Characteristics of REALTORS®

This unique publication presents this information in a user-friendly, easy-to read format, designed to allow easy comparisons with previous member profile surveys. Whether you're a broker or sales agent, firm owner or manager, residential or commercial specialist, this report lets you see how you compare to your colleagues and others in the real estate industry.

The **2010 National Association of REALTORS® Member Profile** can be a useful tool as you plan your business, marketing and recruitment strategies.

A full PDF version of the report is available to NAR members at no cost. Visit www.realtor.org/research. For more information contact Thomas J. Doyle, Marketing and Communications Manager, Research at 202-383-7535 or email tdoyle@realtors.org.

