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# REAL ESTATE DIGEST

PRACTICAL REPORTS ON TAXES, FINANCING, MARKETS, LAW AND TECHNOLOGY

## A Market in Balance: Home-Buyer Demand & Seller Supply Nearly Balanced Nationwide

**F**or the first time in eight years, the overall U.S. housing market is experiencing a rare balance between home-buyer demand and home-seller supply, according to HouseHunt's latest Current Market Conditions survey.

Only 45 percent of real estate agents surveyed reported more buyers than sellers, compared to 61 percent six months ago. Thirty-one percent reported more sellers than buyers; the remaining 24 percent said their markets are almost evenly divided. In the South, the Midwest, the Northeast and in California, the buyer-seller ratio closely matches the national figures.

### Five-months' supply

National survey results from agents in 47 states mirror the latest

monthly sales activity reported by the National Association of Realtors, which estimated the nation's supply of unsold homes at 5.3 months. An inventory of 5.5 to 6 months is considered a balanced market between buyers and sellers.

Additional highlights from the survey include:

- ✱ It's taking longer to sell a home in most markets, and the trend is up. Fifty-five percent of respondents said it is now taking more than 60 days, on average, from listing to sale. Three months ago, only 30 percent said it was taking more than 60 days.
- ✱ Seventy-five percent of sellers are still getting at least 95 percent of their asking prices. Only 7 percent say they are still getting

more than 100 percent.

- ✱ Home appreciation in the past 12 months is holding firm at about 10 percent. The trend is moving toward single-digit appreciation, however. Fifty-four percent reported 5 percent or less, 20 percent said 5 to 10 percent, and 26 percent said 10 percent or more.
- ✱ Eighty-one percent reported a good supply of unsold homes in virtually all price ranges, with inventories steadily growing.
- ✱ Multiple offers dropped from 70 percent a year ago to 39 percent in this year, as demand for unsold homes decreased in many markets.
- ✱ Move-up and repeat buyers outnumber first-time buyers by a two-to-one margin in most parts of the country. The margin is three-to-one in California and the South. The national two-to-one ratio has remained constant in the past three to five years despite rapid run-ups in home appreciation.

## MARKETS

### Second Home Sales Sizzle



Second-home sales accounted for about 40 percent of all residential transactions in 2005, the National Association of Realtors reported, eclipsing the 36 percent

level reported in 2004.

The Realtor group's annual report, based on two surveys, found that 27.7 percent of all homes purchased in 2005 were for investment and another 12.2 percent were vacation homes. The trade group reported 3.34 million second-home sales in 2005, up 16 percent from a revised total of 2.88 million in 2004.

Vacation-home sales increased 16.9 percent last year to a record 1.02 million, from a revised 872,000 in 2004. During the same period, investment-home sales rose 15.7 percent to a record 2.32 million, from an upwardly revised 2 million in 2004, according to the announcement.

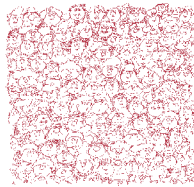
David Lereah, NAR's chief economist, said in a statement, "The baby boom generation is driving second-home sales—they're at the optimum point in life when people become interested in second homes; they're at the peak of their earnings; interest rates remain historically low; and boomers want to diversify investments."

Thomas M. Stevens, NAR president and senior vice president of NRT Inc., said some "second home" purchases may actually be a third, fourth or fifth investment property. "The lion's share of investment homes is actually the primary residence of a renter. Most investment owners are seasoned buyers who understand the long-term benefits of ownership, but not everybody is cut out to be a landlord," he said in a statement.

Typical vacation-home buyers in 2005 were 52 years old, earned \$82,800 and purchased a property that was a median of 197 miles from their primary residence. More than 75 percent of vacation-home buyers have

no interest in renting their property, and 21 percent said it would become a primary residence upon retirement, compared with only 2 percent of investment buyers. Fourteen percent of investment buyers and 6 percent of vacation-home buyers purchased a property that their son or daughter can occupy while in school, the surveys revealed.

### Where the Buyers Are...



According to the Census Bureau, these are the counties that gained or lost the most population between 2004 and 2005.

The fastest-growing counties were:

Flagler, Fla. ....	10.7 percent
Lyon, Nev.....	9.6
Kendall, Ill. ....	9.4
Rockwall, Texas .....	7.74
Washington, Utah....	7.66
Nye, Nev. ....	7.4
Pinal, Ariz. ....	6.9
Loudoun, Va.....	6.8
King George, Va.....	6.7
Caroline, Va. ....	6.5

The top losing counties were:

Chattahoochee, Ga. ....	6.2 percent
Liberty, Ga. ....	4.9
Lampasas, Texas ....	4.7
Washington, Ga. ....	4.3
Norfolk, Va. ....	2.3
Geary, Kan. ....	2.2
Choctaw, Ala. ....	2.19
Monroe, Fla. ....	2.16
Jackson, Okla. ....	2.15
Terrell, Ga. ....	2.0

### California Still Golden



The California Association of Realtors reports the median

price of an existing home in February increased 13.7 percent and sales decreased 15.5 percent compared with the same period a year ago.

CAR said the median price of an existing, single-family detached home in California during February 2006

was \$535,470, a 13.7 percent increase over the \$470,920 median for February 2005. The February 2006 median price decreased 2.9 percent compared with January's \$551,300 median price.

### KB Home Unveils "Martha Stewart Community"



KB Home and Martha Stewart Living Omnimedia have announced the opening of a new homes community near

Raleigh, N.C., that carries the "Martha Stewart" brand name.

The community is known as KB Home Twin Lakes: Homes Created with Martha Stewart. According to the companies, the Cary, N.C., homes have characteristics similar to homes lived in by Martha Stewart in New York State and Maine. The interiors include many features specifically chosen by Stewart, including paint colors, flooring and light fixtures.

The homes are priced from the low \$200s to the mid-\$400s.

## TRENDS

### Fifty Percent of Seniors Plan to Move Within Five Years



A survey of older Americans by the ERA franchise shows that half of consumers in the 50-plus age range are planning to move in the next five years, but of those at least

63 percent plan to buy a single-family home. Only two percent said they intended to move into a so-called "adult" community. Reasons given for moving were retirement, desire to downsize, pay lower taxes and take advantage of a better climate.

The survey also asked who they would consider an ideal neighbor. Most ranked Tiger Woods as No. 1, followed by talk-show host Regis

Philbin, comedienne Ellen DeGeneres, actress Teri Hatcher and actor James Gandolfini of *The Sopranos*.

Real estate brokers and agents specializing in working with senior home buyers and sellers are seeing their lucrative niche expand rapidly, according to numbers released by the Census Bureau. According to the agency, the population age 65 and over is expected to double in the next 25 years, most of whom will enjoy active lifestyles and improved financial health.

The bureau says the proportion of people aged 65 and older in poverty decreased from 35 percent in 1959 to 10 percent in 2003, mostly attributed to the support of Social Security.

In 2000, the poorest fifth of senior households had a net worth of \$3,500 (\$44,346 including home equity) and the wealthiest had \$328,432 (\$449,800 including home equity). The bureau says 81 percent of persons 65 and over own their homes.

## Hispanic Buying Clout Set to Grow Rapidly



There is no more dynamic demographic trend than the growing prominence of the U.S. Hispanic population. In 1990, Hispanics represented

just 5.6 percent of the population. Ten years later, they comprise 12.5 percent of the total.

Despite their growing numbers, Hispanics have yet to become a major presence in the home-buying market. While the overall U.S. homeownership rate is more than two-thirds, fewer than half of Hispanic households own their homes.

According to a survey conducted by the Real Estate Center in at Texas A&M University:

- ✱ Hispanics tend to be more conservative with credit and are concerned about high monthly payments.
- ✱ Hispanics are slower to make decisions and like to feel they are

important to the person providing the service. They generally do not like a straightforward, no-nonsense business approach.

- ✱ Hispanics consider the home-buying process difficult. Financing a home purchase is perceived as difficult, largely because of lack of knowledge or misconceptions about how much cash is required.
- ✱ Hispanics often find housing through personal contact with acquaintances rather than through an agent, though they often buy with the assistance of government programs.
- ✱ Hispanics fear being taken advantage of or being discriminated against. Therefore, they are extra wary of professionals, such as real estate brokers and lenders.

## Housing Slowdown Could Trigger Economic Demise



The head of the Boston Federal Reserve Bank warns that the greatest risk to the U.S. economy now is a collapse of the housing market. Boston Fed President Cathy Minehan told the New England Realtors Conference that the current slowdown in housing sales will result in a slowdown in new home construction, meaning a decline in job growth.

Minehan said household wealth will flatten as home prices flatten, putting restraints on borrowing power and therefore spending. It was not beyond question, she said, that home prices could actually decline.

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## Remodeling Exceeds Record



Homeowners are spending ever more dollars to improve the livability (and value) of their homes, but not all of that money is being spent by choice. The National As-

sociation of Home Builders (NAHB) reports the amount spent on home remodeling hit \$210 billion last year and could close in on \$240 billion this year. Much of that spending, however, is in the category of hurricane recovery.

"The devastating 2005 hurricanes, combined with a rebound in the rental market, are expected to spur a historically high increase in spending this year as repair work proceeds in the Gulf states and apartment owners renovate properties to maximize rental income," said Vince Butler, head of the NAHB's Remodelers Council.

## Survey Cites High Relocation Attrition Rate



Twenty-one percent of employees sent abroad will leave their companies before the assignment is complete, and another 23 percent will leave within a year of coming home, according to a survey released by GMAC Global Relocation Services.

Key factors leading to assignment failure were "partner dissatisfaction," "family concerns," "inability to adapt" and "poor job performance."

When employers were asked to identify the top reasons for employee refusal of an international assignment, family concerns were cited first, followed by spouse's career.

Fifty-four percent of companies responding to the survey said they expected to see the number of foreign assignments increasing in the next year.

## LAW

## HUD Confident Fannie, Freddie Will Survive New Oversight



HUD Secretary Alphonso Jackson says current moves to create a new regulatory body to oversee Freddie Mac

and Fannie Mae would not result in newer or higher housing costs.

Jackson said HUD backs legislation that would allow a new regulator to limit Fannie's and Freddie's portfolio to investments "necessary to carry out its mission" of assisting marginal income buyers. Currently the House and Senate are working on differing bills that would give the government-sponsored enterprises new oversight.

## AGENTS' CORNER

### Double Your Site Traffic with Blogs



If part of your lead generation strategy is to stay visible on the Internet, blogging is a must, says real estate

speaker and educator Ken Deshaies.

"First, it's one of the least restrictive forms of online content; second, it's subscription-based; and third, people are really disenchanted with e-mail, especially because all of the spam and virus issues."

Although it may seem like nothing more than a hobby at first glance,

blogging is a proven method for increasing traffic to your real estate sales Web site.

"One thing that blogs do well – which is central to any marketing effort – is to gently open the door and establish a conversation between you and your prospective clients. Once that door is open and basic trust and rapport have developed, the opportunity for a sale increases dramatically," said Deshaies.

Although relatively easy to accomplish, blogging is not without important parameters. Among them? Stepping into the mindset of your target audience is paramount.

"This is not the place where you're going to put a diary about your family and where you went on Tuesday night," said Deshaies. "You try to think like a buyer or a seller, and then write about what they are interested in."

### Realtors Launch Virtual Library



The National Association of Realtors has announced the creation of a "virtual library" that will allow online Realtor mem-

bers to find real estate data, learn sales techniques and find personal growth tips by using their computers and Internet-enabled cell phones.

The "Virtual Library eBooks Collection" will offer more than 300 digital and audio books, including "Every Landlord's Legal Guide," "How to Become a Power Agent in Real Estate" and "The Tax-Free Exchange Loophole."

A user may check out titles directly to a PC, PDA or SmartPhone. Up to three eBooks can be borrowed at no charge for 21 days, after which they are deactivated and "returned" to the library collection. For more information, see: <http://eBooks.realtor.org>.



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