

# real estate insights

August 2005

Real Intelligence –  
Real Advantages

## In This Issue

**Existing-home sales set another record in June**, posting 7.33 million seasonally adjusted annualized units – a 2.7 percent increase from May’s level and 4.4 percent ahead of the sales pace in June 2004. Low mortgage interest rates and favorable market conditions continue to attract homebuyers. The national average commitment rate for 30-year, conventional fixed-rate mortgages was 5.58 percent in June, and job growth and economic improvement also helped boost sales. **Read more at [www.realtor.org/research.nsf/Pages/EHSdata](http://www.realtor.org/research.nsf/Pages/EHSdata).**

**David Lereah’s Economic Commentary: No Doom; No Gloom.** Talk about a so-called “housing bubble” continues to be the topic from Wall Street to Main Street. But in order for the sky to fall – for home prices to plummet – there must be a significant drop-off in homebuying as well as a significant rise in housing inventories. The continued obsession with a “gloom and doom” scenario for housing is downright wrong. **See page 4.**

**NAR’s latest economic forecast indicates healthy growth in housing, GDP, jobs and consumer spending.** Over the last 24 months, 3.6 million jobs were added to the economy, and it is likely that another 4 million will be created in the next 24 months. Couple that with job growth with still-attractive interest rates, and housing is expected to continue to fly high. **See page 5.**

**NAR’s 2005 Member Profile reports on the latest demographic and business characteristics of REALTORS®.** Results from the latest survey of NAR members show that REALTORS® continue to adapt to changing business environments, improvements in technology, and consumer preferences. **See page 10.**

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NATIONAL ASSOCIATION OF REALTORS®









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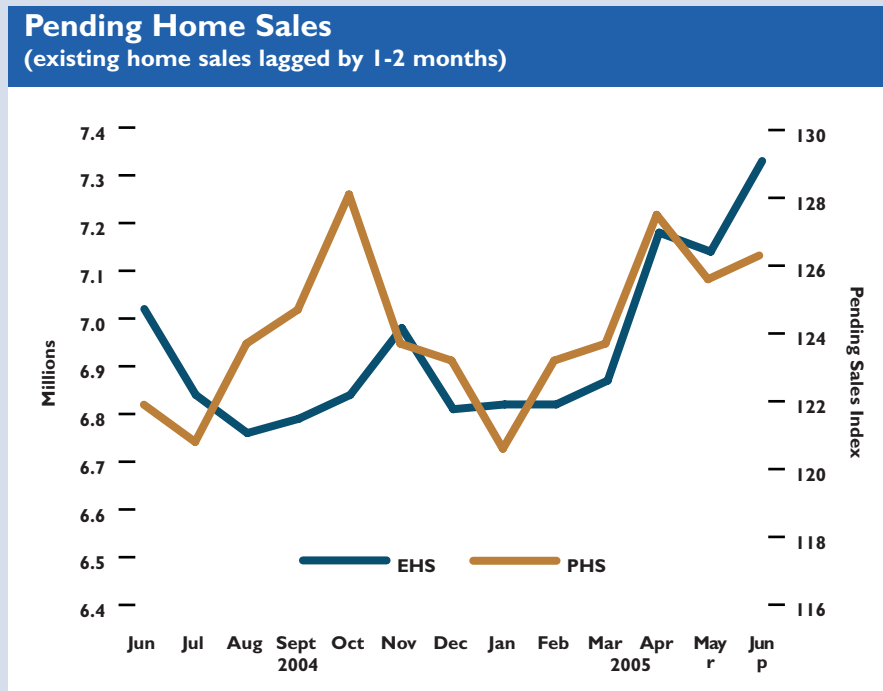
# Real Estate Monitor

Monthly Indicator	Recent Figures	Likely Direction Over the Next Six Months	Forecast
<p><b>Mortgage Rates</b> Thirty-year fixed mortgage rates rose in July to 5.66% -- an increase of six basis points from June's level. Despite the increase, 30-year fixed rates remain below the 6-percent mark. Further rate hikes are expected throughout the rest of summer. <a href="#">Read more</a></p>	May 5.72 June 5.60 July 5.66		The Fed rate hikes to spill over to mortgage rates
<p><b>Existing-Home Sales</b> recorded their highest volume ever in June, posting 7.33 million seasonally adjusted annualized units. Resales rose 2.7 percent from May and 4.4 percent from June 2004. Home sales are expected to post another annual record for 2005. <a href="#">Read more</a></p>	Apr 7,180 May 7,140 June 7,330		Currently at or near peak
<p><b>New Home Sales</b> hit an all-time high with 1.37 million sales in June (seasonally adjusted annualized rate). The three-month moving average of near 1.3 million is exceptionally strong. The inventory of homes for sale declined to a 4.0 months' supply. It implies continuing tight market conditions. <a href="#">Read more</a></p>	Apr 1,283 May 1,321 June 1,374		Built-up equity in existing homes provides funds for new homes
<p><b>Housing Starts</b> posted 2.004 million seasonally adjusted annualized units in June, unchanged from May's level but the third straight month that starts stayed above the 2 million unit mark. Total units are 9.7% above year ago levels. Starts are forecast to finish the year with just over 2 million units -- the highest annual total since the late 1970s. <a href="#">Read more</a></p>	Apr 2,027 May 2,004 June 2,004		Unsold inventory rising
<p><b>Employment</b> Payroll employment advanced by 207,000 in July. Prior two months' figures were revised higher by about 40,000. In the past 12 months, 2.2 million net payroll jobs have been created. NAR projects close to 230,000 net monthly job gains over the next three months. <a href="#">Read more</a></p>	May 126 June 166 July 207		Steady economic growth steadily adds jobs
<p><b>Purchase Applications</b> The Mortgage Bankers Association's purchase application index surged in July to 495.6 -- a record high. As mortgage rates are anticipated to rise, purchase activity is expected to slow down somewhat in the coming months. <a href="#">Read more</a></p>	May 485.1 June 491.4 July 495.6		ARMs becoming less favorable from narrowing rate advantage over long-term rates
<p><b>Housing Affordability</b> In June, NAR's housing affordability index fell 5% to 117.1, its lowest level since September 1991. With mortgage rates expected to continue to rise, coupled with strong home price appreciation, a further dip in the index is anticipated. <a href="#">Read more</a></p>	Apr 122.3 May 123.3 June 117.1		Rising interest rates hurt affordability
<p><b>Inflation</b> The Consumer Price Index was flat (0.0%) in June. It reflects 0.5% decline in energy prices and 0.1% rise in the "core" rate. The price of apparel decreased the most during the month falling 0.7%. The CPI has now increased by 2.5% in the past 12 months -- still under the threshold which would be considered non-inflationary. <a href="#">Read more</a></p>	Apr 0.5 May -0.1 June 0.0		Energy prices driven up largely by speculation and less by fundamentals

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. Inflation is shown as a month-to-month percent change in the Consumer Price Index. Sources: NAR, Bureau of the Census, Bureau of Labor Statistics, Mortgage Bankers Association and Freddie Mac. This report reflects data as of August 10, 2005.

# NAR's Pending Home Sales Index

The pending home sales index -- a leading indicator for the housing market -- rose 0.6 percent in June to 126.3, the third highest level on record. The June index is 3.6 percent above that of June 2004. The index is based on pending sales of existing homes, including single-family and condominiums; a sale is pending when the contract has been signed but the transaction has not yet closed. Pending sales typically close within one to two months of signing. An index of 100 is equal to the average level of contract activity during 2001, which was the first of four consecutive record years for existing-home sales. As such, an index of 100 coincides with a historically high level of home sales activities. The June index shows historic levels of home sales will continue in the near future. For more details, visit [www.realtor.org/research](http://www.realtor.org/research).



Source: NAR Research

# No Doom; No Gloom

by David Lereah, *Chief Economist*

It just won't go away. Bubble talk continues to be the topic on everyone's mind from Wall Street to Main Street. With home prices nationally climbing at a double-digit pace, more and more media and market analysts are now subscribing to an apocalyptic view of the housing markets. But perception is far worse than reality. Rest assured there is no imminent disaster awaiting the housing industry.

After 14 years of expansion (1992 to 2005), there will be no nationwide collapse in residential property prices. The fundamentals that created the greatest housing expansion of the past century have not faded into the background. And two of those fundamentals are, well, fundamental: supply and demand.

Demand for housing is as strong as ever thanks to historically low mortgage rates and, thanks to the healthy appetite of the baby-boom generation, favorable demographic trends. Conversely, supply is tighter today than when this housing expansion began in 1992. Prices are rising at a healthy pace because demand is greater than supply—it's that simple.

So why are so many still crying that the sky is falling? It is probably a hangover from the agony that investors experienced during the great U.S. equities market

debacle of five years ago. Both the media and investors embarrassingly misread the irrational behavior of the stock market and paid for it dearly. Understandably, both are now overly sensitive about the fate of the housing markets. No one wants to be caught with their financial pants down, especially twice.

But in order for the sky to fall, the bubble to burst -- or in our case, for home prices to plummet – there must be a significant drop-off in homebuying as well as a significant rise in housing inventories. Moreover, for home prices to plummet in many local markets across the nation (most housing doom-sayers are projecting 20 to 30 percent price declines), demand for homebuying must decline dramatically in all of the local markets targeted for bursting. Similarly, these same local markets must also experience a sharp rise in housing inventories.

There are only two scenarios that could possibly cause a meaningful drop-off in housing demand across many of our nation's local housing markets—a significant increase in mortgage rates (at least 2 or 3 percentage points) or a sharp, damaging recession accompanied by a large drop in jobs (say 4 to 6 percent). Since neither of these events is currently projected by any credible forecaster, it is not likely that a large number

of metros across the nation will experience large price drops over the next several years. The economy is doing very fine, thank you, and July's 207,000 job gains was the largest addition to our nation's payrolls since April. And mortgage rates continue to hover below 6 percent, with the 30-year rate averaging 5.83 percent as of mid-August, according to a Freddie Mac survey.

A more plausible fate for the U.S. housing industry is that some (2 or 3) local markets may experience some price softening (declines), while the rest of the nation's housing markets will experience a slowing of price appreciation, which means a soft landing. As both home prices and mortgage rates continue to rise, residential properties will become less affordable in many

local real estate markets across the nation, inhibiting the demand for homebuying. Home inventories will rise a bit, prompting price appreciation to slow.

This is already happening in some local housing markets. Las Vegas is a prime example. Just a year ago, Las Vegas was on top of the housing world, experiencing 52 percent price appreciation. By the first quarter of this year, price gains slowed to 29 percent, and today the city known for its gaming industry is experiencing a still remarkable 11 percent price appreciation

in residential real estate. This is air coming out of a balloon, not a balloon popping. The reason why Las Vegas is experiencing a soft landing in its local housing market is that the fundamentals that brought Vegas to its housing zenith, remain in place. People are moving into Las Vegas, not moving out. The local job market is adding workers, not laying them off. There is no economic recipe for a housing bubble bursting in Vegas.

And so it goes for most of our nation's major metropolitan areas. Another example is the national capital area. The Washington, DC metro area continues to display solid demand and supply fundamentals. This area added 120,000 new jobs during the past two years while new single-family home construction was only 57,000, keeping demand ahead of supply. Price appreciation is expected to slow from a 20 percent pace, down to a 10 percent pace this coming year and then settle in the 4 to 6 percent range for the remainder of the decade. That is still a healthy return on a homebuyer's investment.

There are many other metro areas that tell the same story as DC and Vegas. So can we stop all this talk of the housing bubble now. All of the doom and gloom forecasts of a housing debacle are not only irresponsible, but also downright wrong.

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**In order for home prices to plummet – there must be a significant drop-off in homebuying as well as a significant rise in housing inventories.**

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Want more insights from NAR Chief Economist David Lereah? Visit [REALTOR.org](http://REALTOR.org) to see some of his latest comments from press interviews and speeches at [www.REALTOR.org/Research.nsf/Pages/housingoverview](http://www.REALTOR.org/Research.nsf/Pages/housingoverview)

# THE FORECAST

by Lawrence Yun, Senior Forecast Economist

The housing market is flying high. Home prices are forecast to rise by 10.5% in 2005. That would be the fastest *nominal* increase since 1980 and the fastest *real* increase since the National Association of REALTORS® began tracking home prices in 1968. Interest rates are rising but are still at near 40-year lows. And demand from working households is robust. There are more people working now than ever, thanks to the 3.6 million job additions over the past 24 months. It is an easy bet to say that another 4 million jobs will be created in the next 24 months. So many people, such attractive mortgage rates. Add to that decreasing closing costs and tremendous housing-related tax breaks, and it's not surprising that the housing market is soaring.

## Consumer Spending

The booming housing market is helping the economy as well. Home price growth and the associated housing market wealth have greatly supported consumer spending. It grew by 6.5% in 2004 (in nominal terms) and it is projected to rise at about the same rate in 2005. Spending is certainly growing faster than most people's wages. This spending, in turn, is helping the economy to move ahead, despite the record high oil prices.

## Business Inventory

Strong consumer spending has also all but depleted business inventory. Inventory, which should have been rising at about \$50 billion just to keep pace with consumer spending, fell in the latest quarter. The necessary inventory restocking in the upcoming quarters will further stimulate economic produc-

tion and job growth. Our GDP growth forecast will easily top 3% for the next two years.

## Will We Follow the Brits?

But what if the recent housing wealth accumulation is nothing but a paper gain? After all, the once high-flying British housing market has come to a halt (essentially no price growth) and has pushed the U.K. economy to the verge of recession. This has forced the Bank of England to cut its short-term borrowing rate – a move out of sync with the U.S. Federal Reserve. Should U.S. homeowners and homebuyers start sweating?

## No Worries, but Keep An Eye Out

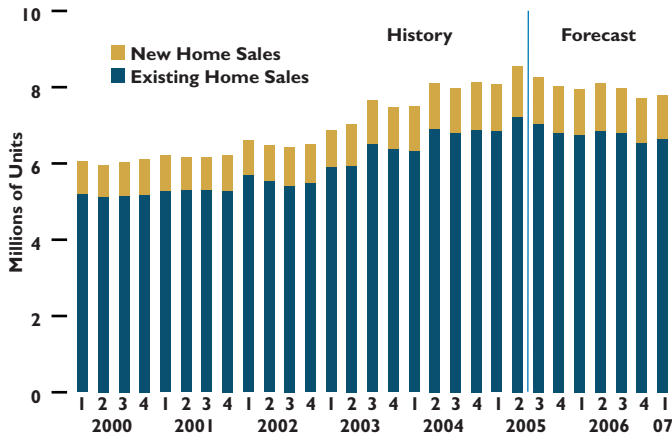
Not yet, and certainly not until there is a clear sign of sharp prolonged job losses in your local area. History has taught us that home prices rarely decline, but when they do it is always accompanied by significant job losses. What is going on in your area? Let's take a look at the job situation in a variety of metropolitan areas.

So, it seems that homeowners in Washington and Las Vegas can be at ease or perhaps even consider buying another home. Homeowners in San Jose and Detroit need to be a bit watchful, though recent momentum suggests impending job growth in these two markets.

	Hangover Effect Job gains/losses (June 2001 to June 2005)	Recent Momentum Job gains/losses (June 2004 to June 2005)
San Jose	-171,100	-1,900
San Francisco	-147,600	+14,100
Chicago	-132,100	+32,300
Boston	-124,900	+17,600
Detroit	-113,400	-6,400
New York	-97,200	+70,200
Dallas	-66,100	+39,400
Tampa	+91,000	+32,600
Miami	+98,600	+37,300
Phoenix	+134,000	+62,800
Riverside	+141,100	+19,600
Las Vegas	+141,500	+62,700
Washington	+199,400	+78,400

## Home Sales

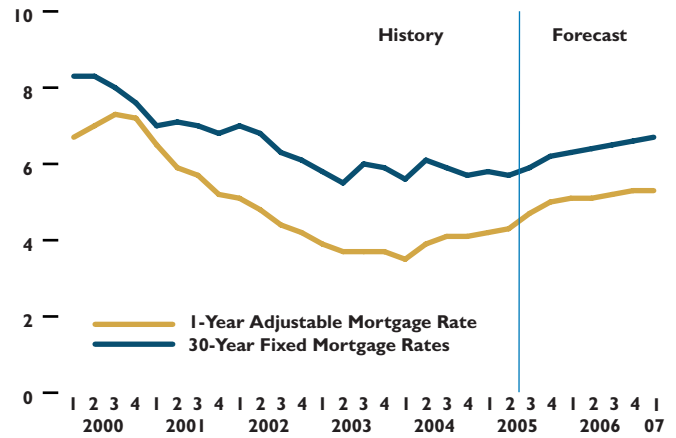
EHS close to 7 million in 2005



Sources: NAR, Bureau of the Census, NAR Forecast

## Mortgage Rates

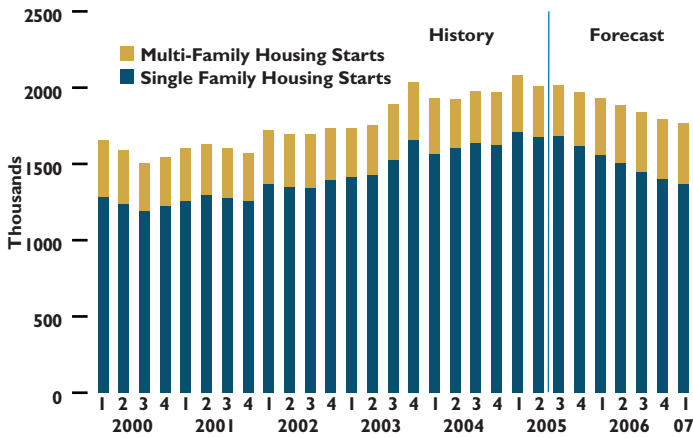
Averaging under 6 percent in 2005



Sources: Freddie Mac, NAR Forecast

## Housing Starts

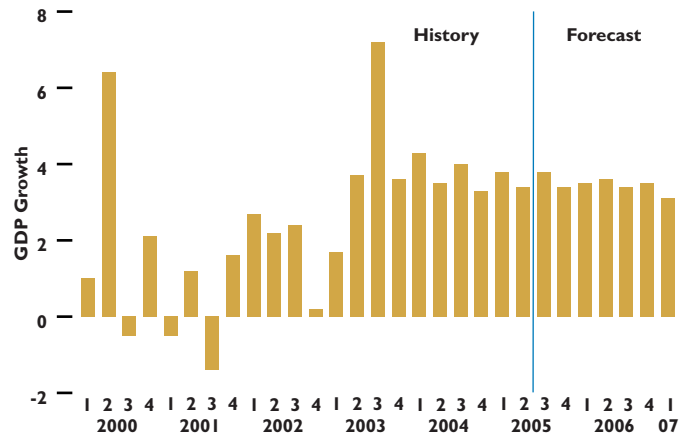
More supply to meet demand



Sources: Bureau of the Census, NAR Forecast

## Economic Growth

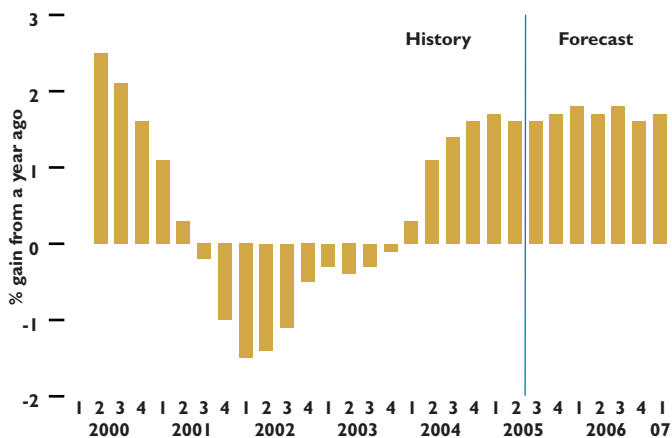
Well above 3 percent for quite a while



Sources: Bureau of Economic Analysis, NAR Forecast

## Job Creation

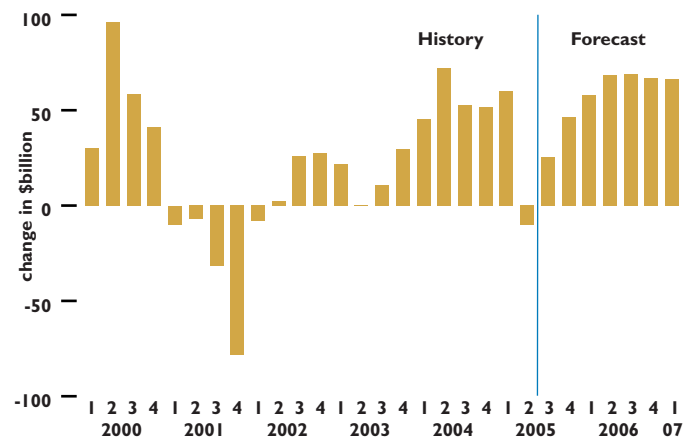
4 million new jobs in the next 24 months



Sources: Bureau of Labor Statistics, NAR Forecast

## Business Inventory

Restocking inventory will help boost economy



Sources: Bureau of Economic Analysis, NAR Forecast

# U.S. ECONOMIC OUTLOOK

## August 2005

	2004		2005				2006				2007	2003	2004	2005	2006
	IV	I	II	III	IV	I	II	III	IV	I					
<b>U.S. Economy</b>															
<i>Annual Growth Rate</i>															
Real GDP	3.3	3.8	3.4	3.8	3.4	3.5	3.6	3.4	3.5	3.1	2.7	4.2	3.6	3.5	
Nonfarm Payroll Employment	1.7	1.6	1.8	1.8	1.7	1.8	1.6	1.5	1.4	1.4	-0.3	1.1	1.7	1.7	
Consumer Prices	3.6	2.4	4.2	2.6	2.5	2.4	2.8	3.3	2.6	2.7	2.3	2.7	3.0	2.7	
Real Disposable Income	9.1	-2.9	1.4	2.3	3.6	5.5	3.8	3.8	4.1	5.3	2.4	3.4	2.1	3.9	
Consumer Confidence	96	104	102	103	105	107	107	108	108	109	80	96	104	108	
Percent Unemployment	5.4	5.3	5.1	5.0	5.0	5.0	5.0	5.1	5.1	5.1	6.0	5.5	5.1	5.1	
<i>Interest Rates, Percent</i>															
Fed Funds Rate	2.0	2.5	2.9	3.4	3.9	4.0	4.0	4.0	4.0	4.0	1.1	1.3	3.1	4.0	
3-Month T-Bill Rate	2.0	2.5	2.9	3.4	3.9	3.9	3.9	3.9	3.9	4.0	1.0	1.4	3.2	4.0	
Prime Rate	4.9	5.4	5.9	6.4	6.9	7.1	7.1	7.0	7.0	7.0	4.1	4.3	6.1	7.0	
Corporate Aaa Bond Yield	5.5	5.3	5.1	5.3	5.6	5.8	5.9	6.0	6.1	6.2	5.7	5.6	5.3	6.0	
10-Year Government Bond	4.2	4.3	4.2	4.4	4.6	4.8	4.9	5.0	5.1	5.2	4.0	4.3	4.4	5.0	
30-Year Government Bond	4.9	4.7	4.5	5.1	5.3	5.5	5.6	5.7	5.7	5.8	5.1	5.1	4.9	5.6	
<i>Mortgage Rates, percent</i>															
30-Year Fixed Rate	5.7	5.8	5.7	5.9	6.2	6.3	6.4	6.5	6.6	6.7	5.8	5.8	5.9	6.5	
1-Year Adjustable	4.1	4.2	4.3	4.7	5.0	5.1	5.1	5.2	5.3	5.3	3.8	3.9	4.5	5.2	
<b>Housing Indicators</b>															
<i>Thousands</i>															
Existing Home Sales*	6,877	6,837	7,217	7,029	6,794	6,741	6,856	6,797	6,536	6,640	6,183	6,784	6,982	6,733	
New Single-Family Sales	1,243	1,238	1,326	1,240	1,231	1,216	1,249	1,179	1,164	1,155	1,086	1,203	1,261	1,204	
Housing Starts	1,973	2,083	2,012	2,014	1,967	1,932	1,884	1,838	1,792	1,770	1,848	1,956	2,019	1,862	
Single-Family Units	1,621	1,709	1,672	1,679	1,616	1,557	1,506	1,445	1,398	1,365	1,499	1,611	1,669	1,477	
Multifamily Units	352	374	340	335	351	375	378	393	394	405	349	345	350	385	
Residential Construction**	571	584	598	598	595	585	574	563	553	550	510	562	594	568	
<i>Percent Change – Year Ago</i>															
Existing Home Sales	8.1	8.2	4.6	3.4	-1.2	-1.4	-5.0	-3.3	-3.8	-1.5	9.8	9.7	2.9	-3.6	
New Single-Family Sales	10.8	5.1	10.2	6.5	-1.0	-1.8	-5.8	-4.9	-5.4	-5.0	11.9	10.8	4.8	-4.5	
Housing Starts	-3.1	8.0	4.6	2.3	-0.3	-7.2	-6.4	-8.7	-8.9	-8.4	8.4	5.8	3.2	-7.8	
Single-Family Units	-2.2	9.4	4.5	2.9	-0.3	-8.9	-9.9	-13.9	-13.5	-12.3	10.3	7.5	3.6	-11.5	
Multifamily Units	-7.0	1.9	5.1	-0.9	-0.3	0.3	11.2	17.3	12.3	8.0	0.6	-1.1	1.4	10.0	
Residential Construction	6.6	7.7	5.8	5.2	4.2	0.1	-4.1	-5.9	-7.1	-5.9	8.4	10.2	5.7	-4.3	
<b>Median Home Prices</b>															
<i>Thousands of Dollars</i>															
Existing Home Prices	189.3	190.3	210.0	208.6	205.4	202.7	220.5	218.8	215.0	211.4	169.5	185.2	204.6	215.2	
New Home Prices	227.8	229.9	224.9	231.5	245.6	246.5	236.6	243.1	256.9	257.1	195.0	221.0	232.4	245.2	
<i>Percent Change – Year Ago</i>															
Existing Home Prices	9.7	10.2	13.7	10.2	8.5	6.5	5.0	4.9	4.7	4.3	8.5	9.3	10.5	5.2	
New Home Prices	14.4	8.0	3.9	8.2	7.8	7.2	5.2	5.0	4.6	4.3	3.9	13.3	5.2	5.5	
Housing Affordability Index	132	133	121	120	123	124	116	116	120	121	138	133	124	119	

Quarterly figures are seasonally adjusted annual rates. / \* Existing home sales of single-family homes and condo/coops; \*\* billion dollars / Source: Forecast produced using Macroeconomic Advisers quarterly model of the U.S. economy. / Assumptions and simulations by Dr. David Lereah and Dr. Lawrence Yun.

# Historically High Price Appreciation in Most Metro Areas

by NAR Staff

The majority of metropolitan areas experienced historically strong annual increases in median existing-home prices in the second quarter of 2005. NAR's latest report on home prices by metropolitan statistical area\* indicates that 67 MSAs recorded double-digit annual increases in the sales price of an existing single-family home. In all, 94 metro areas saw increases above the U.S. historic average of 6.4 percent.

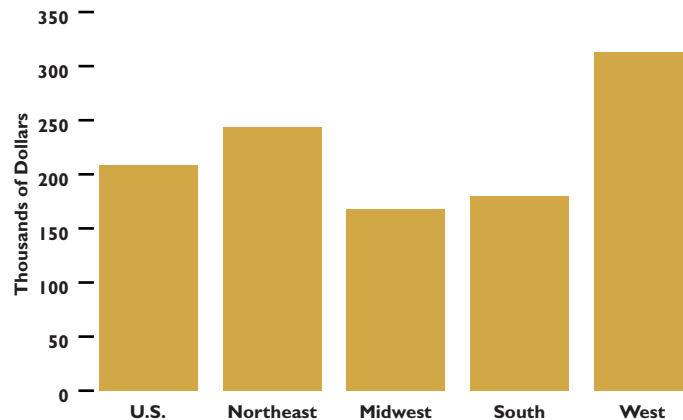
The strongest price increase in the nation was in the Phoenix-Mesa-Scottsdale area of Arizona, where the second quarter price of \$243,400 was 47.0 percent above that a year earlier. Next was Cape Coral-Fort Meyers FL at \$266,800, up 45.2 percent from the second quarter of 2004. Third was the Palm Bay-Melbourne-Titusville area of Florida, with a second quarter median price of \$204,000, up 40.0 percent in the last year. The national median existing single-family home price was \$208,500 in the second quarter, up 13.6 percent from the second quarter of 2004 when the median price was \$183,500. The median is a typical market price where half of the homes sold for more and half sold for less.

Seven areas posted generally modest price declines; none of the areas seeing declines had previously recorded rapid gains. The areas experiencing price declines were lower-priced markets, with one or both of the conditions necessary for price softness -- local economic weakness, primarily in jobs, or a large supply of homes for sale in the local area. Typically, these are temporary conditions.

## Behind the Numbers

Since 1968, prices generally have risen 1-to-2 percentage points faster than the

## Metropolitan Area Home Prices 2nd Quarter 2005



Source: NAR Research

overall rate of inflation; the historic average price increase appears high because there was a period of high inflation in the U.S. during the 1970s and early 1980s. But the second quarter 2005 price gains are unprecedented, and when home price appreciation is viewed relative to the overall rate of inflation, these are the strongest increases on record. NAR analysts attribute the remarkable appreciation rates to the continuing shortages of housing inventory.

## Regional Differences

Regionally, the strongest increase was in **the West** where the median existing single-family home price rose 19.5 percent from the second quarter in 2004 to \$312,600 during the second quarter of 2005. After Phoenix-Mesa-Scottsdale, the strongest increase in the West was in Reno-Sparks NV where the median price of \$357,400 rose 32.1 percent from a year earlier, followed by the Tucson area, at \$228,500, up 30.0 percent.

In **the Northeast**, the median resale price during the second quarter was \$243,100, up 13.1 percent from a year earlier. The strongest increase in the region was in the Atlantic City, N.J., area, up 25.7 percent for a median sales price of \$249,100. The Allentown-Bethlehem-Easton area of Pennsylvania and New Jersey, with a median price of \$358,500, was up 23.9 percent, and Edison, N.J., at \$394,100, up 22.8 percent.

In **the Midwest**, the second-quarter median existing-home price of \$167,800 was a 12.1 percent increase from the same period in 2004. The strongest increase in the region was in the Davenport-Moline-Rock Island area of Iowa and Illinois, where the median price of \$133,900 was 24.0 percent higher than in the second quarter of 2004. Next came Rockford IL, at \$122,700 -- an 18.6 percent increase in the sales price of an existing single-family home from the same time last year.

\*The Association's second-quarter metro area home price report, covering changes in 149 metropolitan statistical areas.

In **the South**, the typical existing home price was \$179,400 in the second quarter, up 5.7 percent from a year earlier. After the Cape Coral-Fort Meyers and Palm Bay-Melbourne-Titusville areas of Florida, the strongest increase in the South was in the Orlando area, at \$232,200, up 36.5 percent from the second quarter of 2004. Next was the Sarasota-Bradenton-Venice area of Florida, where the second quarter median price of \$367,800 was 34.3 percent higher than a year ago.

### Homeownership Still Attractive

Housing remains a good investment. Home sales are at record levels, clear evidence that many people find it is still an excellent time to buy a home, even with stiff competition from other buyers and the spectre of interest rates inching upward. But most buyers view housing as a solid long-term investment, and they are taking advantage of favorable conditions to improve their current lifestyle as well as their long term financial interests.

## Metropolitan Area Home Prices 2nd Quarter 2005



Source: NAR Research

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**The next quarterly report  
on metropolitan area home  
prices will be released  
November 15, 2005.**

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Metropolitan areas are generally metropolitan statistical areas as defined by the U.S. Office of Management and Budget. Beginning with this report, NAR has expanded the number of areas being covered and is using MSA definitions announced by OMB in 2003, and revised in 2004. For details, visit [www.census.gov/population/estimates/metro-city/0312msa.txt](http://www.census.gov/population/estimates/metro-city/0312msa.txt) Regional median home prices include rural areas and samples of many smaller metros that are not included in this report; the regional percentage changes do not necessarily parallel changes in the larger metro areas. NAR began publication of metropolitan area median home prices in 1982. For details on the latest MSA price series report, visit [www.REALTOR.org/research](http://www.REALTOR.org/research).

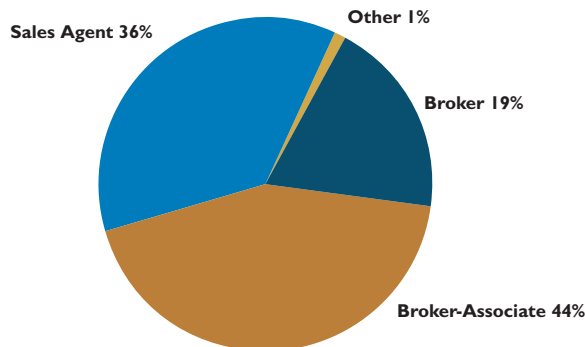
# NAR'S MEMBER PROFILE: Demographic and Professional Characteristics of REALTORS®

by NAR Staff

The real estate industry has been a source of strength and vitality for the nation's economy during the past several years. Today's real estate industry is one of the largest sectors of the U.S. economy. Nearly two trillion dollars are exchanged each year in the sale of both new and existing homes. These transactions provide millions of Americans with jobs and result in hundreds of billions of dollars of economic activity each year. In total, the housing sector accounts for about 22 percent of annual gross domestic product and represents the major source of wealth for U.S. households. Commercial real estate, as well, has been on an upswing recently. Vacancy rates are down and projected to decrease further. As the job market continues to improve, so do the prospects for commercial real estate demand.

Real estate professionals play a central role in real estate transactions, and the real estate profession is an attractive career. As of this writing (August 2005), there are nearly 1.2 million members of the National Association of REALTORS® who account for almost half of all real estate licensees in the U.S. To better understand today's REALTORS® and their important role in the real estate industry, NAR regularly surveys its members about their business activities, demographic characteristics and their relationship to their firms. Results from these surveys provides the Association with a benchmark of REALTOR® business activity – **the NAR Member Profile** -- that helps it develop programs and services to serve REALTORS® and improve their services to clients – America's homeowners. The **2005 NATIONAL ASSOCIATION OF REALTORS® Member Profile** presents current information about members of

## Type of License Held by REALTORS® (percent distribution)



Source: NAR Research

the NATIONAL ASSOCIATION OF REALTORS®. \* In this article we present highlights from this most recent profile.

### Who They Are

While REALTORS® come from all walks of life, educational and ethnic backgrounds, and other professions, the demographic profile of REALTORS® in 2005 is quite similar to that of previous years. As in the most recent member profile survey, the typical REALTOR® is 52, female, works full-time for an independent, non-franchised real estate firm, and specializes in residential real estate brokerage. In addition,

- Forty-six percent of REALTORS® have earned a bachelor's degree or higher.
- Ninety-four percent of REALTORS® are registered to vote and 91 percent

report that they voted in the last national election.

### How They Work

Seventy-four percent of REALTORS® specialize in residential real estate. And while one in five hold a broker license, almost two thirds of broker-licensees function as a sales agent in their firm. Most REALTORS® have a home office, and have been in the real estate business for a median of nine years. The typical sales and leasing volume of brokerage specialists in 2004 was \$2.2 million; 24 percent report they sold or leased at least \$5 million worth of property.

- The typical REALTOR® works 46 hours per week; one in five reports a workweek of at least 60 hours.
- About one third of REALTORS® hold

Want more information? The **2005 NAR Member Profile** is available for purchase. Call **1-800-874-6500** and ask for item #186-45-05. Or visit [www.REALTOR.org/Research](http://www.REALTOR.org/Research) and click on "Buy Research".

## NAR's Member Profile (continued)

only a sales license. Over 40 percent are licensed as associate brokers.

- One in five REALTORS® has at least one personal assistant. Although personal assistants perform a number of tasks, 80 percent of REALTORS® who have personal assistants report that those assistants process new listings and enter them in the MLS.

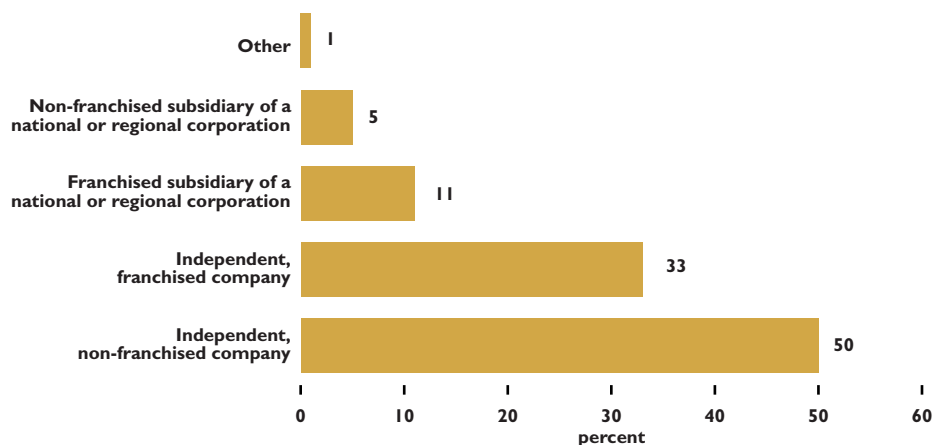
REALTORS® use a variety of technological tools to help them serve their clients. E-mail, web sites, instant messaging, cell phones and PDAs are all used by NAR members to varying degrees.

- Cell-phones and e-mail are the most frequently used technology tools for REALTORS®.
- Forty-four percent of REALTORS® communicate with their clients by e-mail at least 50 percent of the time.
- Most real estate firms have a web site, and 44 percent of REALTORS® have a web site of their own for business use. The typical REALTOR® has had a web site for business use for two years.
- The median number of customer inquiries from REALTOR® web sites is 10.

### Office and Firm Affiliation

While REALTORS® compete among themselves for listings and clients, firms compete to recruit and retain the best REALTORS®. While firms compensate their sales force in a variety of ways, the percentage commission split is still the dominant compensation structure in the industry.

### Firm Affiliation of REALTORS® (percent distribution)



Source: NAR Research

- Fifty percent of REALTORS® are affiliated with an independent, non-franchised firm.
- Nine of ten REALTORS® are independent contractors rather than employees of the firm with which they are affiliated.
- The typical REALTOR® has been with her firm for four years.
- Ten percent of REALTORS® report that they have worked for a firm that was bought by or merged with another firm since January 2003.

### Conclusion

REALTORS® serve their clients in a variety of ways. From property brokerage to property management – from appraisal to relocation – and from market analysis to finalizing the deal -- members of the National Association of REALTORS® harness the dynamics of the competitive real estate marketplace. By leveraging their knowledge about local markets, use of the latest technology, and by evolving with the industry as it finds new ways of doing business, REALTORS® enhance the services they can offer to America's property owners.

\*In February 2005, NAR mailed an 86-question survey to a random sample of 60,000 REALTORS®. An identical questionnaire was also distributed to 60,000 members via a Web-based online survey. A total of 8,450 responses were received for an overall response rate of seven percent. Survey responses were weighted to be representative of state level NAR membership. Information about compensation, earnings, sales volume and number of transactions is characteristic of calendar year 2004, while all other data are representative of member characteristics in 2005.

# Links to Statistical Data Series

## Existing Home Sales – Monthly series

- [June existing home sales and median sales prices](#) – single-family and condominiums/co-ops
- [Single-family home sales and median sales prices](#)
- [Condominium/co-op sales and median sales prices](#)
- The latest EHS statistics in spreadsheet format available [here](#)

## Existing Home Sales and Metropolitan Area Median Home Sales Prices – 2nd Quarter 2005

- 2nd Quarter 2005 [existing home sales by state](#)
- Existing home sales by state in [spreadsheet format](#)
- 2nd Quarter 2005 [Median Home Prices by Metropolitan Area](#)
- Metropolitan Area Home Prices in [spreadsheet format](#)

## NAR's Pending Home Sales Index

- [June pending home sales index](#)
- The latest pending home sales index in spreadsheet format available [here](#)

## NAR's Housing Affordability Index

- [June HAI Index](#)
- June's Housing Affordability Index in spreadsheet format available [here](#)
- Quarterly Housing Affordability Series
  - [2nd Quarter 2005 Affordability Index](#)
  - 2nd Quarter 2005 Affordability Index in spreadsheet format available [here](#)
  - [First-time homebuyer Affordability Index](#), 2nd Quarter 2005
  - First-time homebuyer Affordability Index in spreadsheet format available [here](#)

Click here for more details about NAR's existing home sales, pending home sales, and housing affordability index series, including methodology, links to the latest news releases, statistical release schedule, and how to access historical information.

# BUY RESEARCH

Understanding today's REALTORS® is essential in an evolving real estate business environment. NAR's newest Member Profile gives REALTORS®, real estate firms, and others involved in the real estate industry insight about the demographic and business characteristics of today's REALTORS®, including:

- firm affiliation
- years in the real estate business
- types of technology used by REALTORS®
- earnings of REALTORS®
- business specialties

Order your copy of the new 2005 NAR Member Profile today! Call **1-800-874-6500** and ask for item #186-45-05. Cost for NAR members is \$35; non-members \$50. Or visit [www.REALTOR.org/Research](http://www.REALTOR.org/Research), and click on "Buy Research."

