

real estate insights

April 2007

Real Intelligence –
Real Advantages

In This Issue

Existing-home sales posted a healthy 3.9 percent increase in February to a seasonally adjusted annual rate of 6.69 million units. The resale level was the highest since April of 2006, and February's increase was the biggest monthly rise in three years. Single-family home sales increased 3.7 percent to a seasonally adjusted annual rate of 5.88 million in February, while existing condominium and co-op sales jumped 5.3 percent to a seasonally adjusted annual rate of 810,000 units. The national median existing-home price for all housing types was \$212,800 in February, down 1.3 percent from February 2006. Looking ahead, winter storms and the third coldest February on record mean home sales that closed in March may decline before rebounding later this spring. Total housing inventory levels rose 5.9 percent at the end of February to 3.75 million existing homes available for sale, a 6.7-month supply at the current sales pace. **Read more.**

DNA Test. An individual's DNA determines virtually everything about his or her physical characteristics: eye and hair color, height, gender, and even predisposition to certain diseases. NAR Chief Economist David Lereah takes a break from his usual economic commentary this month. Instead, he gives us an "in focus" look at how local real estate markets have their own DNA as well. By looking at the attributes that help determine a market's DNA, property buyers can make better-informed decisions about their real estate purchases. **Read more.**

The Great Profile. Every two years, NAR Research surveys the Association's members about their business characteristics: types of licenses, primary real estate activity, affiliation with franchises, and use of technology. The **2007 NAR Member Profile** will soon be released, and our market intelligence feature this month gives us a sneak peek. **Read more.**

It's Not Too Late... to make plans to come to Washington DC in May and attend NAR's Midyear Legislative Meeting and Trade Expo. While at the meetings, be sure to mark your schedule for the Residential Real Estate Business Trends Forum that includes the popular housing and economic update by NAR Chief Economist David Lereah. **Read more.**

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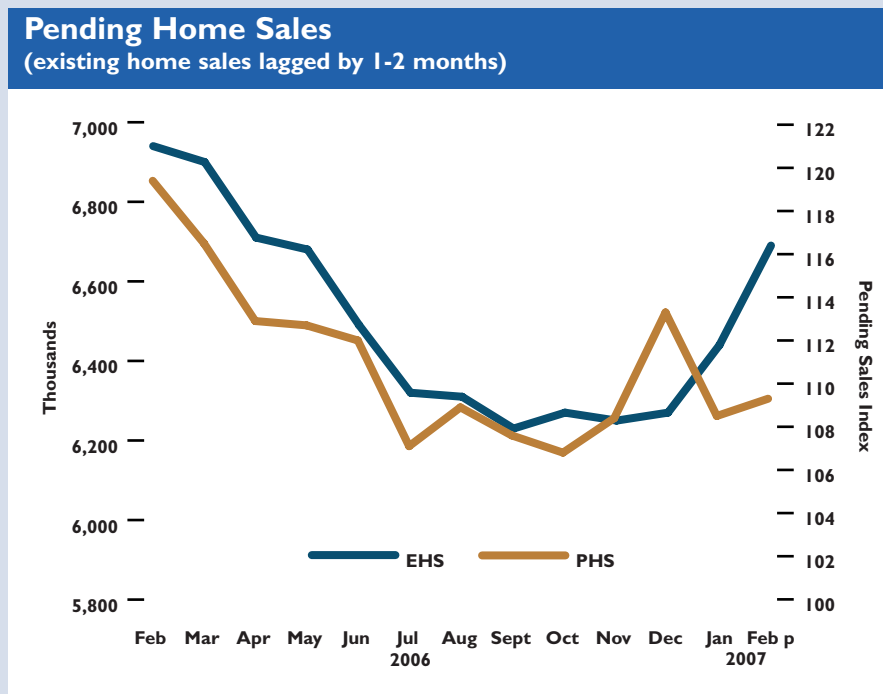
Real Estate Monitor

Monthly Indicator	Recent Figures	Likely Direction Over the Next Six Months	Forecast
<p>Existing-home sales increased by 3.9% in February to 6.69 million seasonally adjusted annualized units. Resales were unchanged in the West region, but rose in the Northeast, Midwest and South. The inventory of existing homes available or sale rose 5.9% to a 6.7 months supply at the current sales pace. Read more.</p>	Feb 07 6,690 Jan 07 6,440 Feb 06 6,940		Subprime lending woes drag down sales
<p>New home sales fell by 3.9% in February to 848,000 seasonally adjusted annualized units. The decline follows January's sharp drop and is the lowest level of new home sales since mid-2000. The inventory of unsold new homes was at an 8.1 month supply, unchanged from January. Read more.</p>	Feb 07 848 Jan 07 882 Feb 06 1,038		Sales have come down fast and will remain weak for the remainder of the year
<p>Housing starts posted a 9% gain in February, with 1.525 million seasonally adjusted annualized units. The strong gain was somewhat surprising, given February's weather in most of the country. With weaker new home sales doing little to significantly decrease inventory, builders are holding back on construction. Read more.</p>	Feb 07 1,525 Jan 07 1,399 Feb 06 2,132		Builders are mindful of needing to not oversupplying the market
<p>Housing affordability NAR's housing affordability index decreased modestly in February to 114.9. The decline was due primarily to higher mortgage rates in February compared to those in January. Still, the index shows that a family earning the median income has slightly more than enough income to qualify for a loan on a median-priced home. Read more.</p>	Feb 07 114.9 Jan 07 116.0 Feb 06 111.1		Wage growth of 4% has been the highest in nearly a decade
<p>Mortgage rates declined in March, averaging 6.16% for the month. That is the lowest level so far this year. Lower rates are good news for the housing market, as they help spark home sales activity in those areas where housing activity has significantly cooled. Nevertheless, rates are expected to rise later this year as the economy improves. Read more.</p>	Mar 07 6.16% Feb 07 6.29% Mar 06 6.32%		Modestly higher by the year's end
<p>Purchase applications The Mortgage Bankers Association's mortgage purchase applications index inched upward in March to 405.3 – back above the 400 mark after dipping below it in February. While the index figure does not portend any real acceleration in housing demand, it does suggest that the housing market is stabilizing. Read more.</p>	Mar 07 405.3 Feb 07 397.0 Mar 06 407.6		No solid pick up in mortgage applications until 2008
<p>Employment Payroll employment rose by 180,000 in March. February's job gain figure was revised upward by 32,000. Both commercial and residential contractor employment rose. Jobs in credit intermediation outside of banks (i.e., principally mortgage lending) fell by 2,900 in March – no doubt part of the subprime mortgage lending fallout. Read more.</p>	Mar 07 180 Feb 07 113 Mar 06 175		Job gains will be positive but weaken to about 150,000 per month for the balance of the year
<p>Inflation The Consumer Price Index (CPI) rose 0.4% in February. The core index – minus food and energy – advanced 0.2%. The cost for food was a major contributor to the overall CPI, with the food index rising 0.8 percent in February, following a 0.7 percent increase in January, likely due to weather extremes in the fruit and vegetable growing regions. Read more.</p>	Feb 07 0.4% Jan 07 0.2% Feb 06 0.1%		Slower economic growth will dampen inflationary pressure over time

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 April 6, 2007. Compiled by Wannasiri Chompoopet, Ken Fears, Kevin Thorpe and Lawrence Yun.

NAR's Pending Home Sales Index

Pending home sales rose slightly in February, but were still lower than the level a year ago. NAR's Pending Home Sales Index – a leading indicator for the housing sector – rose 0.7 percent in February from a downwardly revised 108.5 in January. February's index is down 8.5 percent from February 2006. The pending sales index is derived from pending sales of existing homes. A sale is listed as pending when the contract has been signed but the transaction has not yet closed. Typically pending sales are finalized within one or two months of signing. An index of 100 is equal to the average level of contract activity during 2001, the first year to be examined and the first of five consecutive record years of existing-home sales. February's index shows that weather fluctuations are still impacting the market. Indeed, pending sales spiked in December due to unseasonably warm weather, but cold weather in January and February helped to temper that gain. The good news is that pending home sales are settling in at a healthy level of activity. [Read more.](#)



Source: NAR Research

Real Estate DNA

By David Lereah, NAR Chief Economist

The latest book by NAR Chief Economist David Lereah has recently been released. In **All Real Estate is Local: What You Need to Know to Profit in Real Estate –in a Buyer’s and a Seller’s Market,*** Dr. Lereah looks at why some local markets perform better than others, and the various market conditions and influences in local towns and neighborhoods that consumers should examine as they make that decision to buy a property. Below, he takes an “in focus” look at real estate DNA.

Most real estate professionals will tell you that the three most important factors influencing property values are location, location and location. But location does not tell the whole story. Home prices are obviously influenced by the local economy, climate, and other characteristics. But just as success in adult life draws from a mix of abilities, characteristics and personal experiences (education, parents, upbringing, friends), so too does a local housing market’s success. Each local market has a set of attributes that, to some degree, predetermines future performance. I call this a local market’s DNA. And, as is the case with living organisms, some cities are blessed with better DNA than others.

The Role of DNA

DNA – deoxyribonucleic acid – is the molecule that contains the genetic information in the nucleus of every living cell. It determines the structure, function and behavior of each cell. Every living organism has its own DNA. It is our DNA that makes each of us unique in physical make-up and to some extent, behavior.

Similarly, every local real estate market’s DNA makes that market unique. Before modern advances in transportation and technology, cities that were built beside lakes, rivers and oceans

– and consequently had ports to ship from and receive valuable products – had a comparative advantage over inland cities in terms of attracting people. In other words, cities located on or close to water had better DNA than those not on the water. Two hundred years ago, Boston became a populous major city while Atlanta was a sleepy town because Boston was on the water and Atlanta was not.

Human beings are stuck with their DNA for life. Real estate DNA can change over time. Being a major port was no longer the only attribute that attracted people to a particular city as trains, trucks, and airplanes replaced boats as the major means of transportation and commerce. Boston, while still benefiting from its location by the waters of Massachusetts Bay and the North Atlantic, took great

advantage of the interstate rail, air, and highway systems. When the Atlantic Railroad laid tracks in Atlanta in 1869, it helped make the city a major distribution hub for the South. Then trucks complemented trains and Atlanta took advantage by building a major interstate highway system. That made Atlanta even more accessible to more people and businesses. And Atlanta was the first major southern city to build an international airport when other southern cities chose not to, thus becoming a major hub for air transportation. This helped draw even more people, jobs, and services to the city and its environs. *Both cities changed their DNA.*

Every local real estate market has a DNA that makes that market unique and that distinguishes it from other local markets. People are attracted to many

Notable Characteristics Influencing Real Estate DNA

Characteristic	Example
Mountains	Rocky Mountains, Colorado
Water ocean/river/lake	Myrtle Beach, South Carolina (beach resort)
Climate	San Diego, California (mild climate)
Resources	Houston, Texas (oil)
Diversified economy	New York City
Job situation	Detroit, Michigan
Exciting downtown	San Francisco, California
Education/universities	Charlottesville, Virginia
Hospital/medical services	Minneapolis, Minnesota (Sinai Cancer Hospital)
Recreation/parks	Park City, Utah (skiing)
Transportation systems	Denver Airport
Government	Tallahassee, Florida (state capital)
Professional sports teams	Philadelphia, Pennsylvania (Eagles, Flyers, 76ers)
Culture/ethnicity	Washington, DC (Smithsonian Institution)
Entertainment	Las Vegas, Nevada (entertainment, gambling)
Affordability	Buffalo, New York
Safety	Minneapolis, Minnesota
“X” or undefined factors	Miami (international banking)

*The book, published by Doubleday, is available for purchase. Call 1-800-874-6500 and ask for Item # 141-95. Or log on to www.realtor.org/prodser.nsf/OpenProd?OpenForm&IN=141-95. The cost is \$21.95.

Real Estate DNA (continued)

different types of living environments. Some choose to live in a cold-weather climate, while others prefer warm weather. Similarly, some people choose to live by the water, while others prefer the woods or mountains. The point is that the more robust a city's DNA, the greater advantage it has in attracting households.

It is a local area's DNA, combined with current and future influences on local housing demand and supply, that determines a local market's real estate fate. In examining a particular real estate market, ask yourself what attributes that local market or area has.

A Tale of One City

San Francisco has great real estate DNA. It sits comfortably perched on a peninsula between the Pacific Ocean and San Francisco Bay. The weather is temperate year-round thanks to a warm, northerly ocean current. San Francisco grew tremendously during the 20th Century half into one of the nation's most diversified cities, filled with restaurants, entertainment, tourist attractions, and a vibrant economy. As a result, it is a very desirable place to live. Real estate values are among the highest in the nation.

Of course, "bad" DNA can work against you. San Francisco has one real estate gene that could damage its livability. The city sits on the San Andreas Fault, between the Pacific and Northern American tectonic plates, making the city susceptible to earthquakes. As the plates move, stress builds up along faults. When this stress is released, the blocks or plates move and an earthquake occurs. The city was all but destroyed by earthquake and fire on April 18, 1906. And it could happen again, something the citizens of San Francisco are keenly aware of.

Characteristics That Help Determine DNA

Each city has its own DNA with its own unique features and characteristics. There are a number of characteristics

that affect a market's real estate DNA: topography, climate, downtown amenities, and sports franchises, just to name a few. Each characteristic weighs in a buyer's desire to purchase property in a particular market. For each local marketplace, it is the mix of DNA characteristics that determines the likelihood of people being attracted to that city or region. For example, West Palm Beach, Florida, is composed primarily of a large retiree population seeking warmer weather and the ocean, as well as younger households who provide services (merchants, health and financial service providers) to those retirees. Charlottesville, Virginia, on the other hand, is composed primarily of a young population of students, professors, and young professionals who are attracted to a town dominated by the University of Virginia and the cultural activities that go with that.

Let's look at a few of those characteristics that help determine a market's DNA.

Climate. Everybody talks about the weather, but nobody ever does anything about it. But if you prefer a warmer climate with little or no snow during the winter months, Florida markets may be more attractive to you than, say, Duluth, Minnesota (nothing against Duluth!). By the same token, if you are an avid skier and want to live close to mountains that have real snow during the winter season, you may be drawn to markets in Utah, Idaho, or Colorado. Climate helps inform the DNA of those markets.

Water. Many towns and cities are located by lakes, rivers or oceans. And while people flock to beaches in the summer, many Americans also crave the water in wintertime as well. Weather is less of a factor when a real estate market is situated close to water. Take Chicago, for example. Its location on Lake Michigan has helped propel property values on Lake Shore Drive to

some of the highest in the city, despite Chicago's reputation as cold and windy in the winter.

Diversified Economy. A local market needs some favorable DNA in order to build a robust and diversified economy. Those areas that can weather the vagaries of economic shifts will continue to attract households in spite of any cyclical downturn. New York, San Francisco and Chicago are examples of cities that have diversified economies.

Jobs. Job creation is a key characteristic that contributes to a market's DNA. A healthy diversified local economy usually provides a favorable backdrop for job creation.

Transportation systems. During our history, major railroads helped determine the success of a local economy and real estate market. Railroads not only moved goods, but also people. Today, the airline industry takes center stage. When Delta Airlines located its headquarters and training operations in Atlanta, the city's population grew, its economy revived, and its real estate market blossomed. The Atlanta airport also "blossomed", drawing more visitors and residents to the area which, in turn, helped grow the city's economy even more – and helped to push real estate values upward.

And it's not just air travel. Areas located at major highway intersections make them convenient for traveling and commuting. Woodbridge, New Jersey, is an example of a town where a number of major highways cross – Route 18, the Garden State Parkway, the New Jersey Turnpike, and Route 9.

The Eye of the Beholder

Those are just a few of the characteristics that influence a market's real estate DNA. But DNA is also determined by who you are, what your needs are, and possibly your place in your career path. Young households, for

Real Estate DNA (continued)

instance, are in the early stages of their careers. They are likely to be attracted to markets with a diversified economy with lots of job opportunities. While entertainment, transportation access, and even professional sports franchises may also be a factor for young households, employment opportunities are key to these consumers. At the other end of the age scale, retirees are likely to look for markets where health care is accessible.

Comparing Real Estate DNA

One way to compare local markets by DNA characteristics is to look at some of the popular lists of best places to live. These lists range from ranking by crime rates to quality of education to cost of living. There are numerous rankings available and can be found almost anywhere – magazines, newspapers, academic studies, and local government handouts. But be careful: *don't rely solely on those lists to judge a real estate market's potential.* Use rankings along with those other attributes such as climate, economy and affordability as part of your evaluation of a market's DNA.



THE FORECAST

by Lawrence Yun, Senior Forecast Economist

The subprime “mess” continues to make news. The subprime market woes have led to lenders tightening lending standards, and so there will be further weakening in home sales. The already delayed housing recovery – now postponed to the fourth quarter of this year – will not measurably dent housing inventory levels even as homebuilders significantly cut back on new construction. As a result, the national median home price is projected to decline for the first time since the Great

Depression era. Price are expected to fall 0.7% in 2007.

But as the industry professionals are well aware, the health of the real estate market is determined by local factors. Aggregate national figures can

mask the exciting up-and-down dynamics that work at the local level. The drop in home price is a *national average*. Some markets like Portland OR, Raleigh NC, and Austin TX could experience price gains close to 10%. For homeowners, that means their homes will yield an immediate one-year wealth gain of about \$20,000. Other markets like Portland ME, Washington D.C., and San Francisco appear to have passed their low points and are poised to start making meaningful positive price gains.

Still, it is likely that other markets will see a price decline. Markets that have endured or will see job cuts or large net out-migrations are very prone to further rises in inventory and price declines. Cleveland and Detroit come to mind. (Owning is much cheaper than renting in these markets so it would be interesting to see if keen investors begin to pick up properties and rent them out.)

Markets like Phoenix, Miami, and Las Vegas have undergone unusually large

swings in inventory attributed to a high presence of second homeowners and speculators. They leave two big question marks as to price drop: how much and when. The latest 12-month job figures show that Phoenix was the third top job producer with 89,200 net new jobs – right behind Dallas and Houston. South Florida and Las Vegas are also adding jobs, although the growth rate has been cut due to weaker construction employment. Home prices in these regions had

essentially doubled during the real estate boom – so some correction in prices is understandable.

Florida, Arizona, and Nevada have also consistently been the top recipients of new people moving-in from another state. As

evidenced by a strong rise in health care related employment in these regions, many newcomers are of an older generation. With a rising number of new retirees with each of the next 20 years, the long-term prospects are as sunny as the region’s weather. The question is about the short-term. Inventory is excessive, and new completions of new condos are in the pipeline as well. But jobs and in-migration are demand boosters. Builders may be finishing up on old projects but certainly are not eager to start new ones. Housing permits in these three markets are running about 50% below their peak levels in 2005 – a sure indicator for declining inventory later in the year.

Trying to market time often leads to regrets. Advice: Those with financial means would do well to go ahead and buy now rather than later. Why? Long-term prospects are bright. Mortgage rates will be higher later. Each 0.1% percentage point rise in rates cuts home

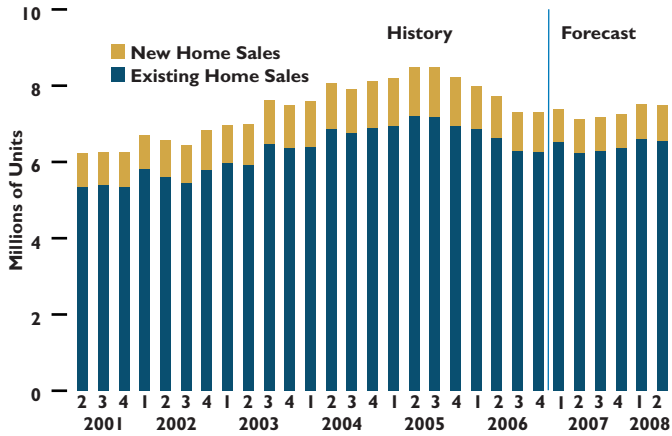
purchasing power by 1%. Mortgage rates are projected to be 6.6% by year’s end – up from their current 6.1%. That is 0.5% percentage point rise in rates. Waiting, therefore, means losing 5% in purchasing power. If prices fall by 5%, then the buyer who may have initially thought of getting a better bargain will not, in fact, be really better off. It is a wash with 5% lost in housing purchasing power. If prices do not fall, then the buyer is worse off.

The subprime mess and the housing contraction are the major reasons for slower economic expansion in 2007. There were 127,000 fewer residential construction-related jobs in the past 12 months versus about 200,000 annual additions in the prior three years. But a recession is unlikely. Steady-spending consumers and rising exports because of improving foreign economies more than offset any economic decline from the housing sector. The one wildcard is business spending. Corporate profits are high and the stock market is doing fine. But corporations surprisingly cut back on plant and equipment purchases in late 2006. That is likely to have been a fluke. A modest rise in business spending (out of companies’ ample cash flow) assures that economy will escape recession.

Steady-spending consumers and rising exports because of improving foreign economies more than offset any economic decline from the housing sector.

Home Sales

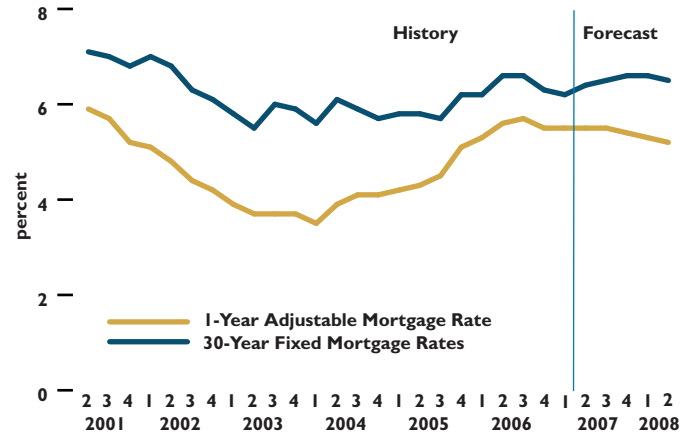
No "boom", but not bad



Sources: NAR, Bureau of the Census, NAR Forecast

Mortgage Rates

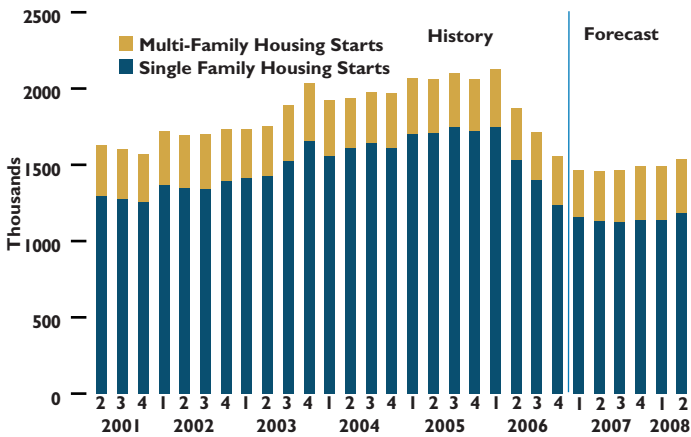
Inching upward



Sources: Freddie Mac, NAR Forecast

Housing Starts

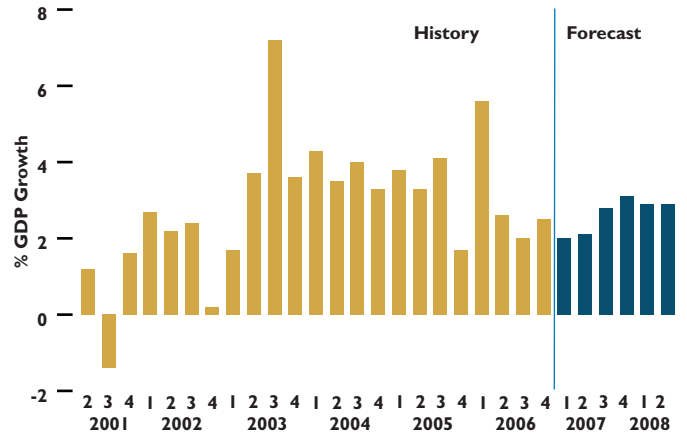
Builders waiting for inventory to decrease



Sources: Bureau of the Census, NAR Forecast

Economic Growth

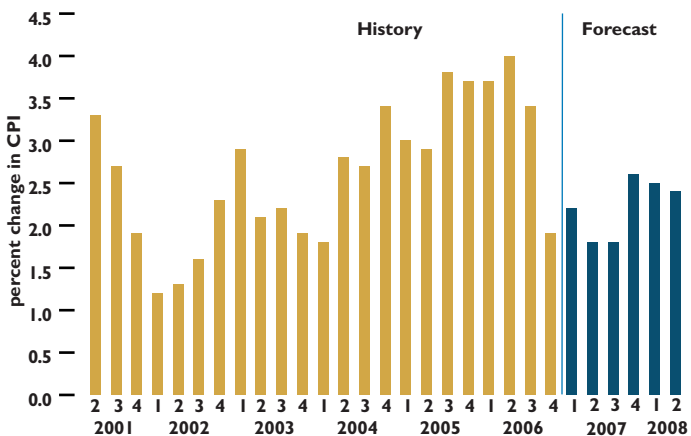
Consumer spending and rising exports offset impact from housing slowdown



Sources: Bureau of Economic Analysis, NAR Forecast

Inflation

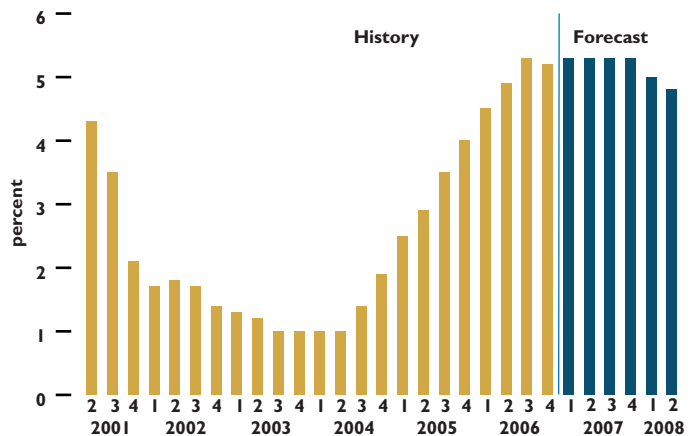
Still well under control



Sources: Bureau of Labor Statistics, NAR Forecast

Federal Funds Rate

The Fed's staying the course



Sources: Federal Reserve, NAR Forecast

U.S. ECONOMIC OUTLOOK

April 2007

	2006				2007				2008		2005	2006	2007	2008
	I	II	III	IV	I	II	III	IV	I	II				
U.S. Economy														
<i>Annual Growth Rate</i>														
Real GDP	5.6	2.6	2.0	2.5	2.0	2.1	2.8	3.1	2.9	2.9	3.2	3.3	2.3	2.9
Nonfarm Payroll Employment	2.2	1.5	1.6	1.5	1.5	1.3	1.4	1.3	1.2	1.3	1.7	1.9	1.5	1.3
Consumer Prices	1.9	5.0	3.1	-2.1	3.1	3.2	2.3	2.6	2.4	2.7	3.4	3.2	2.1	2.6
Real Disposable Income	4.6	-1.5	3.2	5.3	4.5	0.4	3.2	3.1	3.6	2.9	1.2	2.6	3.1	3.0
Consumer Confidence	106	107	104	107	110	108	108	108	109	110	100	106	109	109
Percent Unemployment	4.7	4.7	4.7	4.5	4.5	4.6	4.7	4.7	4.7	4.7	5.1	4.6	4.6	4.7
<i>Interest Rates, Percent</i>														
Fed Funds Rate	4.5	4.9	5.3	5.2	5.3	5.3	5.3	5.3	5.0	4.8	3.2	5.0	5.3	4.9
3-Month T-Bill Rate	4.4	4.7	4.9	4.9	5.0	5.0	5.0	4.9	4.7	4.5	3.1	4.7	5.0	4.6
Prime Rate	7.4	7.9	8.3	8.2	8.3	8.3	8.3	8.3	8.0	7.8	6.2	8.0	8.3	7.9
Corporate Aaa Bond Yield	5.4	5.9	5.7	5.4	5.4	5.6	5.7	5.8	5.8	5.8	5.2	5.6	5.6	5.8
10-Year Government Bond	4.6	5.1	4.9	4.6	4.7	4.8	4.9	5.0	5.0	4.9	4.3	4.8	4.9	4.9
30-Year Government Bond	4.6	5.1	5.0	4.7	4.8	4.9	5.0	5.1	5.1	5.1	4.6	4.9	4.9	5.0
<i>Mortgage Rates, percent</i>														
30-Year Fixed Rate	6.2	6.6	6.6	6.3	6.2	6.4	6.5	6.6	6.6	6.5	5.9	6.4	6.4	6.6
1-Year Adjustable	5.3	5.6	5.7	5.5	5.5	5.5	5.5	5.4	5.3	5.2	4.5	5.5	5.5	5.2
Housing Indicators														
<i>Thousands</i>														
Existing Home Sales*	6,863	6,627	6,287	6,263	6,506	6,223	6,274	6,351	6,604	6,534	7,076	6,478	6,338	6,520
New Single-Family Sales	1,111	1,100	1,001	1,040	888	913	903	913	911	948	1,283	1,053	904	935
Housing Starts	2,123	1,873	1,714	1,559	1,464	1,460	1,466	1,491	1,489	1,540	2,068	1,801	1,470	1,546
Single-Family Units	1,747	1,530	1,401	1,234	1,157	1,133	1,125	1,138	1,136	1,182	1,716	1,465	1,138	1,186
Multifamily Units	376	343	313	324	307	327	341	353	353	358	352	336	332	359
Residential Construction**	619	601	570	540	515	501	496	499	503	511	608	582	503	516
<i>Percent Change – Year Ago</i>														
Existing Home Sales	-2.1	-7.2	-12.4	-10.1	-5.2	-6.1	-0.2	1.4	1.5	5.0	4.4	-8.5	-2.2	2.9
New Single-Family Sales	-11.5	-14.3	-22.8	-18.8	-20.0	-17.0	-9.8	-12.2	2.5	3.8	6.7	-17.9	-14.1	3.4
Housing Starts	2.6	-9.3	-18.4	-24.3	-31.0	-22.0	-14.5	-4.3	1.7	5.5	5.8	-12.9	-18.4	5.1
Single-Family Units	2.6	-10.4	-19.8	-28.2	-33.8	-25.9	-19.7	-7.8	-1.8	4.3	6.5	-14.6	-22.3	4.2
Multifamily Units	2.9	-3.8	-11.3	-5.1	-18.3	-4.7	8.9	9.0	15.0	9.5	2.1	-4.5	-1.1	8.2
Residential Construction	6.1	-1.5	-8.1	-12.8	-16.8	-16.5	-13.0	-7.6	-2.3	1.8	8.6	-4.2	-13.6	2.7
Median Home Prices														
<i>Thousands of Dollars</i>														
Existing Home Prices	216.9	226.8	225.0	219.3	211.7	222.9	224.4	220.1	213.4	225.2	219.6	221.9	220.3	223.8
New Home Prices	244.8	246.1	236.2	243.9	243.1	245.6	236.9	246.1	246.0	249.6	240.9	245.3	246.2	251.1
<i>Percent Change – Year Ago</i>														
Existing Home Prices	8.6	2.9	-1.1	-2.7	-2.4	-1.7	-0.3	0.4	0.8	1.0	12.4	1.0	-0.7	1.6
New Home Prices	6.5	6.9	-0.1	1.6	-0.7	-0.2	0.3	0.9	1.2	1.6	9.0	1.8	0.4	2.0
Housing Affordability Index	109	103	103	109	115	107	106	107	112	109	112	106	110	113

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.

The Great Profile: Highlights from the 2007 NAR Member Profile

by Paul Bishop, Anna Barlett, and Jessica Lautz, NAR Research

Every two years, the National Association of REALTORS® conducts a survey of its members. The survey asks questions about REALTOR® business characteristics, demographics, income, expenses, and use of technology. The new **2007 NAR Member Profile** will soon be released, and below we present some highlights from that report.*

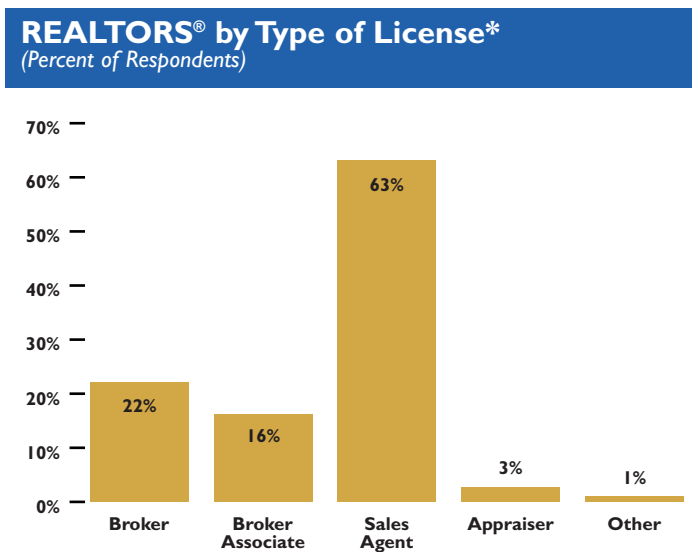
REALTORS® play a variety of roles in the real estate industry depending on their function within the firm and business specialty. Most REALTORS® report that they act as sales agents and a majority considers residential brokerage their primary business specialty. Still, a sizable number of REALTORS® work in commercial brokerage, property management and appraisal areas.

The range of experience and functions within their firm help REALTORS® satisfy the needs of customers and clients.

Type of License and Business Specialties

The majority of REALTORS® (63 percent) holds a sales agent license, and many have a broker's or broker-associate's license as well. REALTORS® who have been in real estate for more than five years are more likely to have a broker or broker associate license. Those who are just starting their career are most likely to only have a sales agent license.

Overall, 75 percent of REALTORS® specialize in residential real estate brokerage. A similar percentage of REALTORS® holding a sales agent or broker's license – and an even larger share of broker-associate licensees – specialize in residential real estate. Eighty-seven percent of REALTORS® licensed as appraisers specialize in residential appraisal.



Source: The 2007 NAR Member Profile
* highest license held

Among broker/broker-associate licensees, the share specializing in residential brokerage has varied between 75 percent and 84 percent in recent years with few apparent trends in the share of brokers specializing in other areas. Among sales agent licensees, residential brokerage is the most frequently cited primary business specialty. The most significant increase was among those sales agents whose primary business specialty is relocation.

Many REALTORS® work in other areas of real estate in addition to their primary specialty area. More than one quarter of REALTORS® cite relocation as a secondary business specialty – an increase from the 20 percent reported in the previous survey. Eighteen percent of REALTORS® reported commercial brokerage and 18 percent reported land development as secondary business specialties. Counseling has also increased

as a secondary business specialty since the last member profile survey conducted in 2005 – from 12 percent to 16 percent.

Technology Use

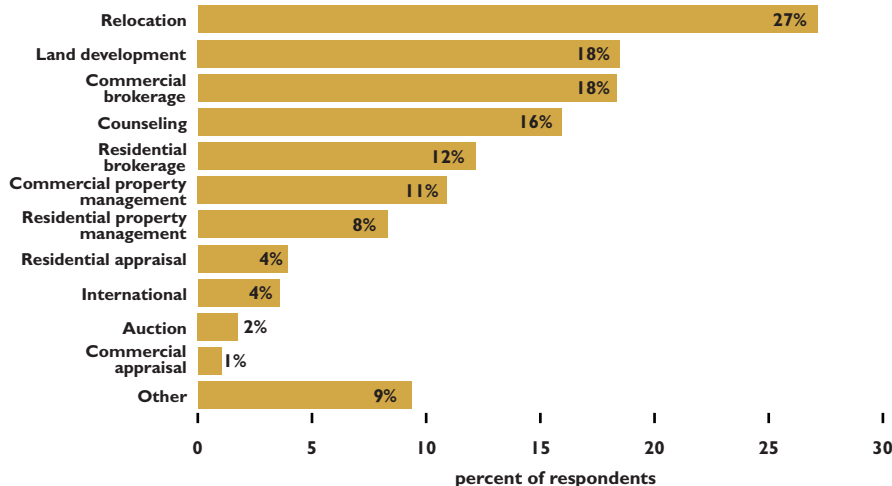
REALTORS® use many types of communication and technology tools. In 2006, they spent a median of \$820 on technology products and services. Thirty-six percent of REALTORS® spent less than \$500, while 5 percent spent more than \$5,000.

Certain technology and communication products, such as cell phones and e-mail, are used by nearly all REALTORS®. Digital cameras are also used by nearly all REALTORS® but less frequently than cell phones. Approximately one-third of REALTORS® use instant messaging, wireless e-mail, and GPS. A small percentage of REALTORS® use blogs, podcasts, and RSS feeds.

*In January 2007, NAR mailed an 87-question survey to a random sample of 70,000 REALTORS®. An identical questionnaire was also distributed to another group of 70,000 members via a Web-based survey. The survey had an adjusted response rate of 7.9 percent. Survey responses were weighted according to each state's NAR membership. Information about compensation, earnings, sales volume and number of transactions is characteristics of calendar year 2006, while all other data are representative of member characteristics in early 2007. The National Association of REALTORS® is committed to equal opportunity in the real estate industry. In accordance with this commitment, racial and ethnic information was collected and is included in this report.

The Great Profile (continued)

Secondary Business Specialty of REALTORS® (Percent of Respondents)



Source: The 2007 NAR Member Profile

REALTORS® have a growing assortment of technologies available to them to communicate with clients. Fifty percent of REALTORS® report that they communicate with their clients by e-mail more than 50 percent of the time, up from 44 percent in 2005. Among REALTORS® with five years or less experience, 55 percent communicate at least half the time via e-mail compared with 41 percent of REALTORS® with 16 or more years experience. The use of instant messaging has remained steady since the 2005 report. Over one-quarter

of all REALTORS® use instant messaging, however few do so frequently.

Nearly 90 percent of REALTORS® report that their firm has a web site for business use – this percentage increased from 87 to 89 percent since 2005. In addition, a significant majority of REALTORS® have a web site of their own that they use for business. Sixty-one percent of REALTORS® have a web site for business use with an additional 12 percent noting that they plan to have a web site in the future. This is a substantial increase from 2005, when 44

percent of REALTORS® reported that they had a web site. Thirty-five percent of REALTORS® developed their own web site and maintain it on their own while 27 percent use a web site that their firm provides.

Nearly all REALTORS® show their own property listings on their web site. Over three-quarters of them also include information about the home buying and selling process. More than two-thirds include mortgage or other financial calculators and a link to their firm's web site. Commercial specialists also provide the same type of information on their web site.

Looking Ahead

Most REALTORS® intend to continue their real estate career in the future. Among all REALTORS®, 80 percent report that they are “very certain” they will remain active in the real estate profession during the next two years. Fifteen percent are only somewhat certain with a slightly higher percentage among sales agent licensees and REALTORS® who have been in the field for less than two years.

A significant share of REALTOR® business is “repeat business” or based on referrals from a past client. That is good news for real estate professionals. For all REALTORS®, a median 25 percent of their business is from a previous client. And the more experience REALTORS® have, the higher percentage of “repeat business” they are likely to capture.

For more information

Next month in this column, we'll take a look at the demographic characteristics of REALTORS® including age, gender, years of experience in the real estate industry and income. In the meantime, if you want more details and results of the survey, the **2007 NAR Member Profile** is available for purchase. Call 1-800-874-6500 and ask for item #186-12-07. The cost is \$50 for members, \$125 for nonmembers.

Business Originating from Past Consumers and Clients, by Experience, 2006

(Percentage Distribution)

	Real estate experience:				
	All REALTORS®	2 years or less	3 to 5 years	6 to 15 years	16 years or more
None	12%	35%	8%	4%	5%
Less than 10%	16	22	20	14	11
Up to 25%	22	19	29	23	19
Up to 50%	20	12	21	23	23
More than 50%	30	12	23	36	41
Median	25%	7%	22%	36%	41%

Source: The 2007 NAR Member Profile

Links to Statistical Data Series

To view the latest housing statistics from NAR, click on the links below.

Existing Home Sales – Monthly series

- [February 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 – 4th Quarter 2006

- 4th Quarter 2006 [existing home sales by state](#)
- Existing home sales by state in [spreadsheet format](#)
- 4th Quarter 2006 [Median Home Prices by Metropolitan Area](#)
 - [4th Quarter Single-family median home prices](#)
 - 4th Quarter Single-family median home prices in [spreadsheet format](#)
 - [4th Quarter Condominium/Co-op median sales price](#)
 - 4th Quarter Condominium/Co-op median sales price in [spreadsheet format](#)

NAR's Pending Home Sales Index

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

NAR's Housing Affordability Index

- [February HAI Index](#)
- February Housing Affordability Index in spreadsheet format available [here](#)
- Quarterly Housing Affordability Series
 - [4th Quarter 2006 Affordability Index](#)
 - 4th Quarter 2006 Affordability Index in spreadsheet format available [here](#)
 - [First-time homebuyer Affordability Index, 4th Quarter 2006](#)
 - 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.

NAR Midyear Meetings Feature Sessions on Market Trends and Forecasts

Economic Issues & Residential Real Estate Business Trends Forum

05/17/2007 ■ 8:00 AM - 10:00 AM

Hear the latest outlook for housing and the economy and the impact of emerging trends on the residential real estate business. The session will kick off with NAR Chief Economist David Lereah, who will discuss the impact of the subprime fallout on housing and the economy, as well as provide his latest industry forecast. Then hear from Anne Randolph, publisher of Lore Magazine, a lifestyle publication focused on people in the real estate industry, and a partner in Murray Consulting, a firm specializing in advising real estate businesses. She'll provide insights into consumer expectations in today's home buying and selling process and what that means for real estate professionals. Take home valuable tools to help you assess and succeed in your local market! Read more and add this session to your Midyear Meeting Event Planner:

www.realtor.org/educsess.nsf/allpages/Mgov07AWIR-5UPUDW

Economic Issues & Commercial Business Trends Forum

05/17/2007 ■ 1:00 PM - 3:00 PM

Learn what the future holds for the nation's commercial real estate market – as well as snapshots of some of the most remarkable local markets – from NAR Chief Economist David Lereah who will provide insights into market fundamentals and vulnerabilities. In addition, you'll get an international perspective from Julian Josephs, president of the International Real Estate

Federation (FIABCI) who will discuss how and why foreign tenants are attracted to U.S. commercial space. Don't miss this opportunity to invest in your commercial real estate knowledge bank. Read more and add this session to your Midyear Meeting Event Planner: www.realtor.org/educsess.nsf/allpages/Mgov07AWIR-5UPUBD

Understanding Data and Media Communication

05/17/2007 ■ 2:00 PM - 3:30 PM

Interpreting the vast amounts and types of housing data can sound like a daunting task. Let NAR Research's Senior Economist Lawrence Yun take the mystery out of it so that you can start utilizing housing data to boost your everyday business. This data can help you be a local market expert as well as increase your bottom line. Learn best practices for analyzing housing statistics and effectively communicating them to your buyers and sellers and the media.

www.realtor.org/educsess.nsf/allpages/07MYGovhousingbabyboomer



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