

real estate insights

December 2006

Real Intelligence –
Real Advantages

In This Issue

Existing-home sales rose modestly in October, posting a seasonally adjusted annualized rate of 6.24 million units. October's resale pace was a 0.5 percent increase from September's upwardly revised pace of 6.21 million units, but 11.5 percent below the uncharacteristic spike that occurred in October 2005. There were differences in sales activity by housing type. While single-family home sales rose 1.3 percent on a monthly basis to a seasonally adjusted annual rate of 5.50 million, existing condominium and cooperative housing sales fell 4.8 percent to a seasonally adjusted annual rate of 741,000 units. The national median existing-home price for all housing types was \$221,000 in October, 3.5 percent below the median price in October 2005. Housing inventory levels increased 1.9 percent to 3.85 million existing homes available for sale, a 7.4-month supply at the current sales pace. **Read more.**

Auld Lang Syne. Perhaps this is the not the best year for housing that we should toast to. But in his commentary this month, NAR's Senior Forecast Economist Lawrence Yun discusses some of the good news in 2006, and what we can look forward to in 2007. **Read more.**

"Selling" points. Selling a home is one of the most challenging transactions many homeowners will face. Fortunately, there are more than a million REALTORS® who can help. But what do sellers look for in their real estate professional? Why do some of them decide to try to go "FSBO" (For Sale By Owner)? The recently released **2006 NAR Profile of Home Buyers and Sellers** provides some answers. Our market intelligence feature this month looks at some of the highlights of that report that focus on home sellers. **Read more.**

U.S. Real Estate – Still a safe haven. After lagging for several years, foreign investment in U.S. real estate has taken an upturn. Why? Because U.S. real estate is still viewed as a safe haven for foreign investors. And with the dollar outpaced by several foreign currencies, the trend is likely to continue. A recently released report from NAR research looks at trends in foreign investment. **Read more.**

Holiday Wishes. The readership of **Real Estate INSIGHTS** has grown dramatically in the past year. We appreciate all your comments. From those of us who work on the INSIGHTS to our supportive readers, we wish you a very happy holiday season and a wonderful new year.

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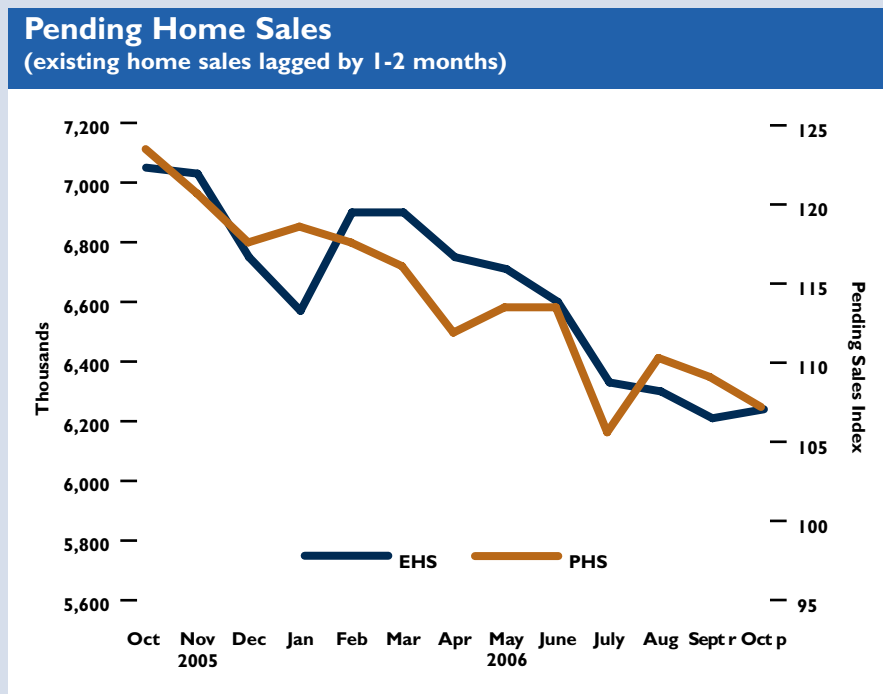
Real Estate Monitor

Monthly Indicator	Recent Figures	Likely Direction Over the Next Six Months	Forecast
<p>Existing-home sales rose 0.5% in October to 6.24 million units (seasonally adjusted annualized rate). The level of resales has been hovering around the 6.2-6.3 million range, an indication that sales are stabilizing. The inventory of homes rose as well, which is typical as there is a seasonal “rush” to list homes before the winter. Read more.</p>	Aug 6,300 Sep 6,210 Oct 6,240		The bottom may already be past
<p>New home sales declined 3.2% in October, posting 1.0 million seasonally adjusted annualized units. While that is 25% below the level of October 2005, it does represent a stabilizing trend – suggesting that the worst of the housing downturn may be over. Read more.</p>	Aug 1,000 Sep 1,037 Oct 1,004		Builders cutting production naturally means fewer new homes for sale
<p>Housing starts fell sharply in October, declining 15% to 1.5 million units. That is the slowest home building activity since July 2000. Weak sales of new homes have pushed up inventory. Builders are being careful not to “overflow” the market, a positive development since lower production minimizes risks of prolonged home price declines. Read more.</p>	Aug 1,659 Sep 1,740 Oct 1,486		Builders need to cut production to reduce inventory
<p>Housing affordability rose for a third straight month. The National Association of REALTORS® housing affordability index in October was 107.1. Lower interest rates and a slight correction in home prices contribute to the increase in affordability. Read more.</p>	Aug 103.1 Sep 106.5 Oct 107.1		Income rising faster than home prices
<p>Mortgage rates The 30-year fixed mortgage rate drifted lower in November, averaging 6.27% for the month. Lower rates are favorable to housing markets, and should soften the landing in recent home sales slump. Rates are expected to hover around the mid 6% range through the end of December. Read more.</p>	Sep 6.41% Oct 6.36% Nov 6.27%		To remain near 40-year lows in the upcoming months
<p>Purchase applications bounced back to their highest level in five months. The Mortgage Bankers Association’s purchase application index rose to 405.8 in November. Refinance and purchase activities increase after recent rates decline. Home sales in the coming months are expected to rebound. Read more.</p>	Sep 395.7 Oct 381.5 Nov 405.8		The bulk of home sales are from existing homes, which are stabilizing
<p>Employment The U.S. economy added a net 132,000 jobs to payrolls in November. The employment figures were better than many analysts expected. And while October’s job creation number was revised downward, September’s was revised upward. The job market is in good shape. Read more.</p>	Sep 203 Oct 79 Nov 132		Subpar economic growth will lead to only a decent, not robust, job gains
<p>Inflation The consumer price index (CPI) fell 0.5% in October. The core index, which excludes food and energy components, rose a mere 0.1%. Energy prices fell sharply – by 7.0%. The transportation sector also posted a significant decrease of 3.1%. While the CPI may rise slowly this winter because of seasonal demand for oil, the increase will be contained. Read more.</p>	Aug 0.2% Sep -0.5% Oct -0.5%		Though core inflation is a bit uncomfortably high, the overall inflation will slide

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 December 8, 2006. Compiled by Wannasiri Chompoopet, Ken Fears, Kevin Thorpe and Lawrence Yun.

NAR's Pending Home Sales Index

NAR's pending home sales index slipped in October to 107.2. While October's index is off a mere 1.7% from September's reading, it is 13.2% lower than the index in October 2005. The index is a leading indicator for the housing sector, based on pending sales of existing homes. A sale is listed as pending when the contract has been signed and the transaction has not closed, but the sale usually is finalized within one or two months of signing. The 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. Pending sales typically are finalized within one to 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. October's index indicates that pending home sales are hovering in a narrow range, another indication that stabilization is occurring in the housing sector. [Read more.](#)



Source: NAR Research

THE FORECAST

by Lawrence Yun, Senior Forecast Economist

Many REALTORS® – and housing analysts – will be glad when 2006 is over. The year will end with existing home sales nine percent lower than in 2005 and home-price appreciation closing out the year essentially flat. The more cyclical new home sales are projected to finish the year with a level 18 percent below that of last year, and post a reduction in prices.

But there is good news: the market has essentially already bottomed. The pace of existing home sales is expected to rise in the first quarter of 2007 -- on a seasonally adjusted basis -- from its current 6.2 million unit pace to 6.3 million. Home prices, which have been falling since August, will follow this positive sales trend and begin to strengthen by the second quarter. By this time next year, sales will be higher by five percent with home prices rising two percent. That is good news for real estate professionals: business commission revenue, hence, can be expected to rise by seven percent.

It is true that on a year-over-year basis – which is the preferred method of reporting by the media, particularly at the local level -- sales will continue to be negative well into the first half of 2007. In some hard-hit markets like Florida and Arizona, home sales have been compressed drastically in 2006. The constant reporting of 30 to 40 percent sales declines by local media has dissuaded many sideline home buyers from making an actual purchase. Fortunately though, that same compression means a lower base with which to compare in 2007. By the late spring of 2007, the media will likely begin reporting positive “uplifting” trends. Statistical momentum says that will inevitably happen. Many potential buyers at that point will regain the confidence to enter the market. Some smarter buyers will see the herd of impending buyers over the horizon and will want to get a jump start.

The orderly decline and, in my view, the bottoming out of the housing market

was helped immensely by the Federal Reserve. The Federal Open Market Committee ended its interest rate hikes and remained “neutral.” (The Fed funds rate had risen from one percent in mid-2004 to 5.25 percent in June 2006). With no further worries about further rate hikes, the bond market has paid more attention to job growth and inflation -- both of which have been weakening and thereby signaling that the economy is not overheating. The average 30-year mortgage rate has fallen from 6.8 percent in July to 6.1 percent in early December. Low rates in turn have begun

By this time next year, sales likely will be higher by five percent with home prices rising two percent. That is good news for real estate professionals:

to stimulate demand. Mortgage purchase applications were 11 percent higher in early December (as this is being written) compared to July on a seasonally adjusted basis. Should the level of mortgage applications hold at this level, a similar rise in home sales will mean a home sales pace of 6.7 million existing home sales and 1.1 million new home sales. While some of those applications will not directly lead to a home sale (some would-be buyers will change their minds), the double-digit rise in mortgage applications is certainly a good news.

The stock market also is agreeing that the worst of the housing slowdown is over. Stock prices of the home-builder companies have been rising nicely since July. For example, Toll Brothers and Pulte Homes were trading at around \$25 in July and in early December are at better than \$30. Lennar, KB Homes and DR Horton have made similarly equivalent gains. Interestingly, builders themselves

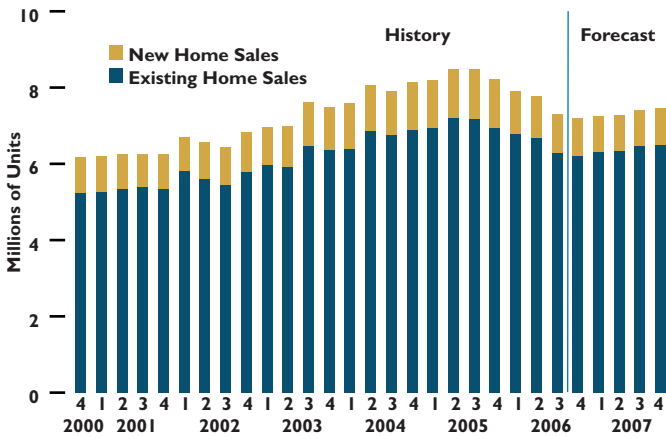
are partly responsible for bringing about a turnaround in their stock prices. Seeing a surge in inventory buildup, builders have been cutting back production sharply. Single-family starts in October were 32 percent below their level a year ago. And with the housing slowdown, the last thing the housing market needed was a prolonged oversupply condition that inevitably -- and unnecessarily -- depresses home prices for an equally prolonged period. Therefore, the sharp cutback in builder production is a healthy adjustment for the housing market.

One final piece of economic news: the fall in the dollar. This was somewhat overdue given that the United States has been running up a sizable trade deficit for quite some time. Sluggish U.S. economic growth, in combination with stronger-than-expected growth in European economies, was the apparent catalyst for the weakening dollar. U.S. properties are now trading at a larger discount (about 40 percent compared to five years ago) from a European perspective. Furthermore, a strong price gain this year in the sunny Spanish resort areas will undoubtedly push German and British vacation home buyers to think about Florida and other sunny U.S. destinations as purchase locations.

So, we can all feel good that the year is over. Housing has weathered the storm, and down the road, it will be back to health.

Home Sales

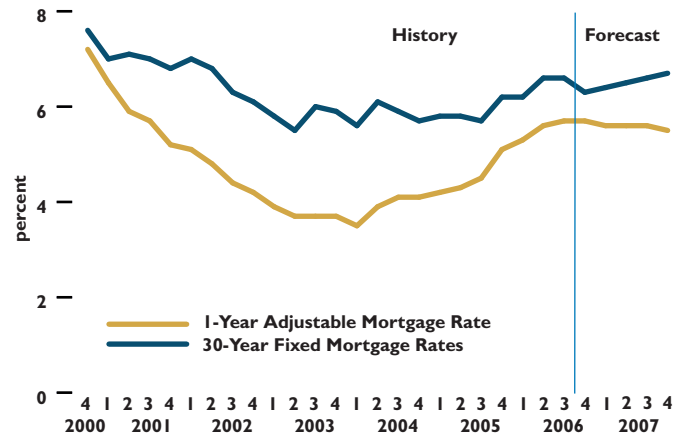
The worst is over



Sources: NAR, Bureau of the Census, NAR Forecast

Mortgage Rates

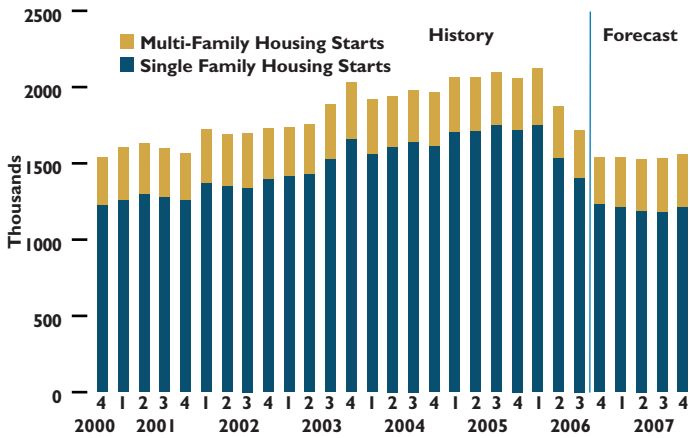
Remaining attractive at below 7 percent



Sources: Freddie Mac, NAR Forecast

Housing Starts

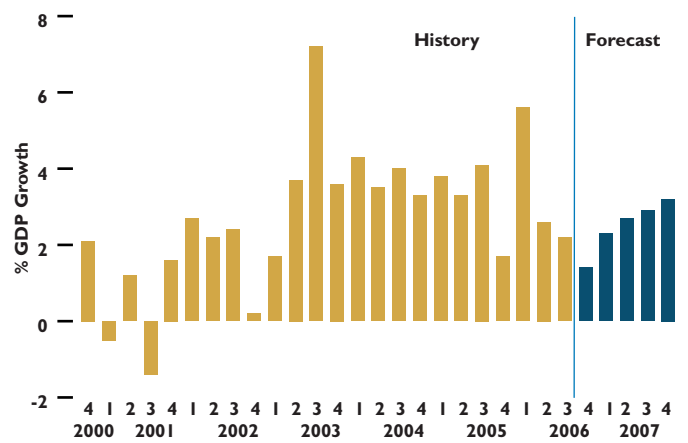
Builders don't want to over-produce



Sources: Bureau of the Census, NAR Forecast

Economic Growth

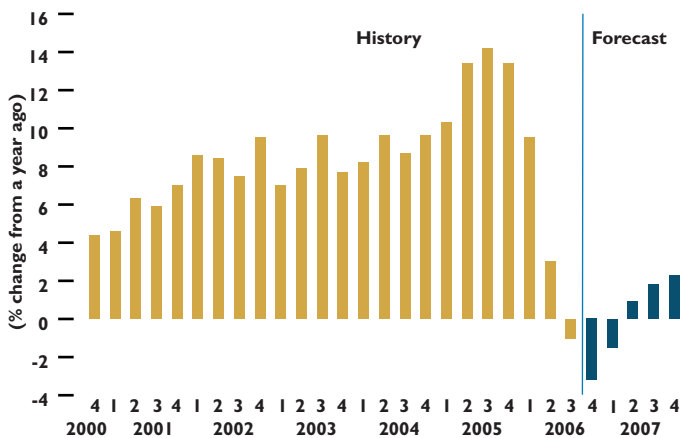
Economic expansion back on track



Sources: Bureau of Economic Analysis, NAR Forecast

Home Price Appreciation

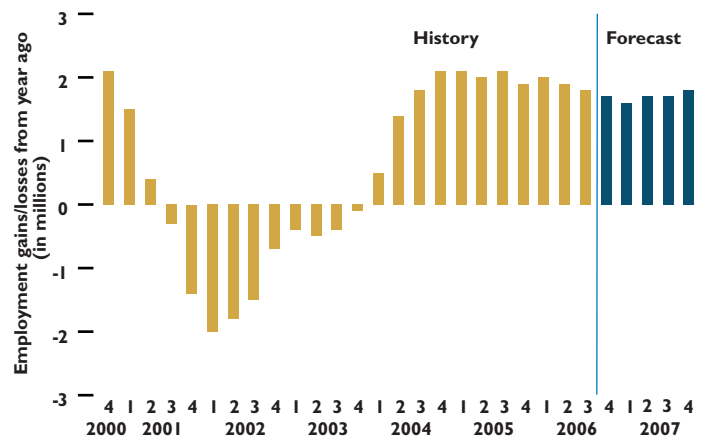
Back to positive territory in 2007



Sources: NAR, NAR Forecast

Job Gains

Expanding economy creating jobs at a respectable pace



Sources: Bureau of Labor Statistics, NAR Forecast

U.S. ECONOMIC OUTLOOK

December 2006

	2005		2006				2007				2004	2005	2006	2007
	III	IV	I	II	III	IV	I	II	III	IV				
U.S. Economy														
<i>Annual Growth Rate</i>														
Real GDP	4.2	1.8	5.6	2.6	2.2	1.4	2.3	2.7	2.9	3.2	3.9	3.2	3.3	2.3
Nonfarm Payroll Employment	1.6	1.2	1.7	1.2	1.3	0.6	1.0	1.5	1.8	1.8	1.1	1.5	1.4	1.2
Consumer Prices	5.5	3.2	2.2	5.0	2.9	0.2	2.8	2.6	2.5	1.8	2.7	3.4	3.4	2.3
Real Disposable Income	-0.6	5.5	4.6	-1.5	3.7	4.8	4.2	3.2	2.9	2.9	3.6	1.2	2.6	3.5
Consumer Confidence	99	96	106	107	104	105	104	105	105	106	80	100	106	105
Percent Unemployment	5.0	5.0	4.7	4.7	4.7	4.5	4.6	4.7	4.8	4.9	5.5	5.1	4.6	4.8
<i>Interest Rates, Percent</i>														
Fed Funds Rate	3.5	4.0	4.5	4.9	5.3	5.3	5.3	5.3	5.3	5.3	1.4	3.2	5.0	5.3
3-Month T-Bill Rate	3.4	3.8	4.4	4.7	4.9	5.1	5.0	5.0	5.0	5.0	1.4	3.1	4.8	5.0
Prime Rate	6.4	7.0	7.4	7.9	8.3	8.3	8.3	8.3	8.3	8.3	4.3	6.2	8.0	8.3
Corporate Aaa Bond Yield	5.1	5.4	5.4	5.9	5.7	5.4	5.5	5.7	5.9	5.9	5.6	5.2	5.6	5.7
10-Year Government Bond	4.2	4.5	4.6	5.1	4.9	4.6	4.7	4.8	4.9	5.0	4.3	4.3	4.8	4.8
30-Year Government Bond	4.4	4.7	4.6	5.1	5.0	4.8	4.9	5.0	5.2	5.2	5.1	4.6	4.9	5.1
<i>Mortgage Rates, percent</i>														
30-Year Fixed Rate	5.7	6.2	6.2	6.6	6.6	6.3	6.4	6.5	6.6	6.7	5.8	5.9	6.4	6.6
1-Year Adjustable	4.5	5.1	5.3	5.6	5.7	5.7	5.6	5.6	5.6	5.5	3.9	4.5	5.6	5.6
Housing Indicators														
<i>Thousands</i>														
Existing Home Sales*	7,180	6,943	6,790	6,687	6,280	6,207	6,294	6,333	6,475	6,493	6,779	7,075	6,465	6,399
New Single-Family Sales	1,297	1,280	1,111	1,100	1,005	996	968	950	944	967	1,203	1,283	1,055	957
Housing Starts	2,101	2,060	2,123	1,873	1,720	1,543	1,542	1,527	1,535	1,563	1,956	2,068	1,815	1,541
Single-Family Units	1,748	1,718	1,747	1,530	1,403	1,230	1,210	1,187	1,180	1,209	1,611	1,716	1,478	1,197
Multifamily Units	353	342	376	343	316	312	331	340	355	354	345	352	337	345
Residential Construction**	620	619	619	601	571	536	510	501	499	504	560	608	582	503
<i>Percent Change – Year Ago</i>														
Existing Home Sales	6.5	0.9	-2.2	-7.0	-12.5	-10.6	-7.3	-5.3	3.1	4.6	9.8	4.4	-8.6	-1.0
New Single-Family Sales	11.9	3.1	-11.5	-14.3	-22.5	-22.2	-12.8	-13.7	-6.1	-3.0	10.8	6.7	-17.7	-9.4
Housing Starts	6.3	4.8	2.6	-9.3	-18.1	-25.1	-27.4	-18.5	-10.8	1.3	5.2	5.7	-12.3	-15.1
Single-Family Units	6.5	6.7	2.6	-10.4	-19.7	-28.4	-30.7	-22.4	-15.9	-1.8	6.6	6.5	-13.9	-19.0
Multifamily Units	4.9	-3.7	2.9	-3.8	-10.5	-8.6	-11.9	-0.9	12.1	13.3	-0.9	1.9	-4.3	2.4
Residential Construction	9.1	9.0	6.1	-1.5	-7.9	-13.4	-17.6	-16.5	-12.7	-6.0	10.3	8.6	-4.4	-13.4
Median Home Prices														
<i>Thousands of Dollars</i>														
Existing Home Prices	227.3	225.3	218.7	226.7	225.0	218.1	215.4	228.7	229.1	223.1	195.4	219.6	222.6	224.7
New Home Prices	236.6	240.1	244.8	246.1	232.3	236.3	243.8	247.3	235.3	240.8	221.0	240.9	239.7	241.7
<i>Percent Change -- Year Ago</i>														
Existing Home Prices	14.2	13.4	9.5	3.0	-1.0	-3.2	-1.5	0.9	1.8	2.3	9.3	12.4	1.4	1.0
New Home Prices	10.5	5.4	6.5	6.9	-1.8	-1.6	-0.4	0.5	1.3	1.9	13.3	9.0	-0.5	0.8
Housing Affordability Index	109	107	109	103	103	112	113	108	108	110	134	122	107	110

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.

Foreign Investment in U.S. Real Estate

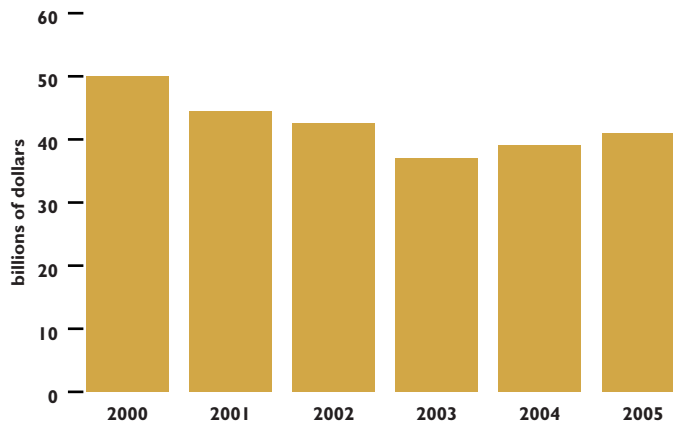
by Lawrence Yun, Keunwon Chung and Ken Fears, NAR Research

In spite of a slowdown during the last half of 2006, the U.S. real estate market remains the envy of most nations in the world. The homeownership rate in the United States is at a record level. More than 72 million households in the country own their own homes. Housing activity – while off its peak levels – is still healthy, with existing home sales likely to post more than 6.4 million units for 2006. Commercial real estate, after underperforming in the years after the 2001 recession, has returned to health. Vacancy rates are declining, helping to push up asking rents in most of the commercial sectors. This has attracted more investment in commercial properties, and returns from investment in commercial properties have also been in positive territory.

One factor helping to support the U.S. real estate market and industry is the role of foreign investment. The “globalization” of the economy extends to real estate. Foreign governments, international financial institutions, foreign companies, foreign pension and equity funds, and foreign individuals are all taking note of the performance of U.S. real estate, and see opportunities to take advantage of healthy returns on their investments. U.S. real estate provides a safe haven for many foreign investors.

NAR Research recently released a study on the trends in and impact of foreign investment in the U.S. economy with particular attention to U.S. residential and commercial real estate markets. The report, **Foreign Investment in U.S. Real Estate: Current Trends and Historical Perspective*** looks at the level of foreign investment in real estate companies through 2005 along with a breakdown of the major players – countries – with significant holdings in the

Foreign Direct Investment in U.S. Real Estate



Source: U.S. Department of Commerce

U.S. While information on the number of foreign homebuyers is not available, the report does analyze trends in foreign visitors to each state which can suggest the impact on local real estate markets. Below we present some highlights of this report.

Why are foreign investors attracted to U.S. real estate?

Foreign investors are attracted to the U.S. market for various reasons, not the least of which is that foreign participation in U.S. real estate is relatively free and open. There are few barriers to foreign individuals or entities investing in U.S. real estate markets. And U.S. markets welcome them. Foreign investment in U.S. real estate companies *The report was released at NAR’s annual conference in November. The full report is available at www.realtor.org/research. Click on “International Research” in the left-hand navigation. either directly or through ownership of company stock –

allows those companies to expand, creating new jobs and expanding services for real estate consumers. In addition, foreign capital flows into U.S. securities contribute to the health of our nation’s economy by putting downward pressure on long-term interest rates. Investment from other countries helps to stabilize U.S. interest rates and, thus, helps to keep mortgage interest rates low, spurring business investment in commercial properties and enabling consumers to become homeowners.

Foreign Investment in the U.S.

Foreign investment in all U.S. holdings increased 8.5 percent from 2004 to 2005. In fact, in 2005 the level of foreign direct investment rose to a record \$1.87 trillion. The amount of foreign purchases of stock in U.S. real estate related companies also rose – for a second consecutive year – to \$41 billion in 2005, a 5.2 percent increase from 2004. Foreign direct investment in U.S. real estate

*The report was released at NAR’s annual conference in November. The full report is available at www.realtor.org/research. Click on “International Research” in the left-hand navigation.

Foreign Investment (continued)

accounts for 2.5 percent of total foreign investment in U.S. markets. Germany and Latin America accounted for the major share – 13 percent – of foreign direct investment in U.S. real estate.

Impact of Foreign Visitors to the U.S.

Visitors from foreign countries to the U.S. can have significant influence on local real estate markets. Aside from tourists and students, many foreign visitors come to the U.S. to work for foreign companies that have operations in the U.S. In California alone in 2004, more than 34,000 foreigners arrived as traders or investors, and more than 37,000 as intra-company transferees. Those workers require housing. A steady flow of foreign visitors helps to support housing demand in local markets.

Impact of Foreign Funds on U.S. Real Estate Market

The flow of foreign funds into the U.S. securities market helps put significant downward pressure on long-term interest rates. NAR estimates that in the absence of foreign capital, long-term interest rates would be four percentage points higher than current levels. Such an increase would result in a four-percentage point rise in the 30-year mortgage rate, thus depressing home sales activity and, therefore, real estate industry revenue.

Impact on the U.S. Economy

Foreign investment helps create jobs through either direct investment in a business by providing funding for domestic businesses to reinvest or spend money on expansion. Those reinvestments and expansion spur job creation, which in turn fuels demand for commercial real estate. In 2005, \$785 billion of foreign funds were invested in the U.S.

Nearly \$12.7 trillion were held by foreign entities in the same year.

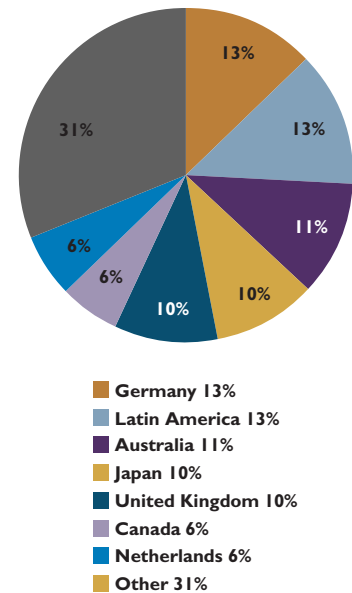
The Foreign-Born

Foreign-born purchases of residential real estate are likely to offset any downturn in demand from the smaller population cohorts following the baby-boom generation. The share of foreign-born homebuyers is expected to rise steadily, based on the significant increase in immigration in recent years.

Looking Ahead

Prospects for an increase in foreign direct investment in U.S. real estate look bright. U.S. economic growth, while not in record-territory, looks healthy through 2006 and beyond. Such a stable environment augurs well for the U.S. as a growth opportunity for foreign investors. About two million net new jobs are expected to have been created by the end of 2006. Demand for office and industrial commercial space looks positive as jobs in the service and financial services sector are expected to increase and from the rising demand for warehousing needs associated with sharp increases in imports and exports. And with consumer spending still increasing and immigration levels healthy, demand for retail and multifamily properties should continue to be robust.

Foreign Direct Investment in U.S. Real Estate and Rental/Leasing by Country, 2005*
(percent distribution)



Source: U.S. Department of Commerce
*latest data available

**NAR Research monitors a variety of issues impacting international real estate activity, including trends in the foreign-born U.S. population, foreign visitor and immigration levels and developments in foreign economies that can influence sectors of the U.S. economy. For more information, visit www.realtor.org/research.

The 2006 NAR Profile of Home Buyers and Sellers: Focus on Sellers

by Paul C. Bishop and Harika Bickicioglu, NAR Research

Last month in this column we looked at the results from NAR's recently released **2006 Profile of Home Buyers and Sellers**,* and focused on the characteristics of buyers, homes they purchased, and the role of real estate professionals in the home purchase transaction. This month, we examine the profile of home sellers – how their demographic traits differ from buyers, how they use real estate professionals, and the challenges faced by For-Sale-By-Owner sellers.

Characteristics of Home Sellers

The **NAR Profile** reports on a number of demographic characteristics of home sellers – such as age and income. Many of these seller characteristics differ significantly from those of buyers.

The typical home seller is older than the typical home buyer. The median age was 46 among home sellers in 2006, compared to

41 years for buyers. Because they are older, home sellers tend to have higher incomes than home buyers. The median household income of home sellers was \$83,200 in 2005, compared to \$71,800 for buyers.

Seller households are slightly more likely than buyer households to have no children under 18 living in their home. They are also more likely to be a married-couple household. The typical seller household has owned its home for six years – this length of tenure has changed little over the past several years. Recent home sellers have owned a median of three homes, a number that has also varied little during the past several years. Most recent sellers were not selling their first home. Similar to results from the 2005 profile, just 13 percent of were first-time sellers.

Why and What They Sold

There are many reasons why homeowners decide to sell their current

home. They may want a larger home because of a growing family or to accommodate aging relatives.

Others decide to move closer to friends or family as they age. Still others need to relocate to a new neighborhood, city or state because of a new job or a job transfer.

While roughly half of all sellers “traded up” to a larger home, only 19 percent of sellers indicated that they sold their current home because it was too small. The choice of whether to trade up or trade down is often related to the age of the home seller. Downsizing one's residence was the primary reason for selling among 19 percent of sellers 65 years or older. Home sellers 44 years old or younger were more likely to cite “wanting a larger home” as the primary reason to sell.

Over three quarters of homes sold were detached single-family homes, a share that has varied between 74 percent and 86 percent in recent years. Nine percent of seller households sold a townhouse or row house. Eight percent of homes sold were either apartment/condos in a multifamily structure (5 or more units) or a duplex/apartment or condo in a 2-4 unit building. Fifty-three percent of the homes sold were in a suburb.

Most homes sold at or slightly less than the listing price. The median sales price was 98 percent of the listing price nationwide. For a comparison, in 2005 the median sales price was 99 percent of listing price. The one-percent decrease is likely a reflection of the slowing housing market in 2006. The typical home was on the market for six weeks – a two-week longer duration than that cited in the

Method Used to Sell Home (percent distribution)

Sold home using an agent or broker	84
Seller used agent/broker only	80
Seller first tried to sell home themselves, then used an agent	5
For sale by owner	12
Seller sold home without using a real estate agent or broker	11
First listed with an agent, then sold home themselves	1
Sold home to a homebuying company	1
Other	3

Source: The 2006 NAR Profile of Home Buyers and Sellers
detail may not add due to rounding

*The NAR profile is based on a survey of home buyers and sellers and provides information on demographics, housing characteristics and the experience of buyers and sellers in the housing market. Buyers and sellers also share information on the role of real estate professionals in their home sales transactions. The 2006 survey results are representative of home purchases between July 2005 and June 2006. Consumer names and addresses were obtained from Experian, a firm that maintains an extensive database of recent home buyers derived from county records. Information about sellers comes from those buyers who also sold a home.

Focus on Sellers (continued)

Most Important Factor in Seller's Choice of Real Estate Agent (percentage distribution)

Reputation of agent	35 %
Agent's honesty and trustworthiness	21
Agent is friend or family member	15
Agent's knowledge of neighborhood	11
Agent's association with particular firm	6
Agent has caring personality/good listener	5
Professional designations held by agent	2
Other	5

Source: The 2006 NAR Profile of Home Buyers and Sellers

2005 profile and perhaps proof of the shift from a seller's to a buyer's market. Even so, more than 30 percent of homes sold in one to two weeks.

The Role of Real Estate Professionals

Selling a home involves a long list of tasks: determining the list price, developing a marketing plan, preparing for settlement, among many. Home sellers overwhelmingly depend on real estate professionals to assist them in a successful home sale. Eighty-four percent of sellers used a real estate agent in their recent sales transaction, compared to less than 80 percent in the late 1990s.

Similar to home buyers, when searching for an agent, sellers most often seek out referrals from friends or relatives or use the same agent they worked with in an earlier home sales transaction. Well more than two fifths of sellers (44 percent) chose agents based on a referral by a friend, neighbor or relative and 30 percent relied on their previous experience with that agent.

What's the most important factor influencing the choice of real estate professional? Thirty-five percent of sellers said reputation was the most important factor in selecting an agent, followed by the agent's honesty and trustworthiness

(21 percent). Other important factors included whether the seller knew the agent (as a friend or family member) and the agent's knowledge of the neighborhood.

Methods of Marketing

Real estate agents use many methods to market a home. The Internet has become one of the most-used marketing tools by real estate agents. It outranks all other methods in popularity. Yard signs and open houses were used in more than half of recent sales transactions, and newspaper advertisements were also used in slightly less than half of home sales.

The local multiple listing service (MLS) allows home sellers to increase the exposure of their properties among hundreds, and sometimes thousands, of real estate agents assisting home buyers in their home search. Among recent sellers, 88 percent reported that their home was listed on a MLS.

Expectation and Satisfaction

Like home buyers, home sellers have many expectations of their real estate agent. As reported in the 2006 Profile, one quarter of sellers most wanted their agent to sell their home within a specific time frame, while 22 percent wanted their agent to find a buyer for their

home. Sixteen percent of sellers wanted help pricing their home competitively.

Most sellers preferred using an agent with a full-service brokerage firm – where professionals handle all aspects of the transaction process from listing to closing. More than four fifths of sellers – 83 percent – reported their real estate professional provided a broad range of services and managed most aspects of their home sale.

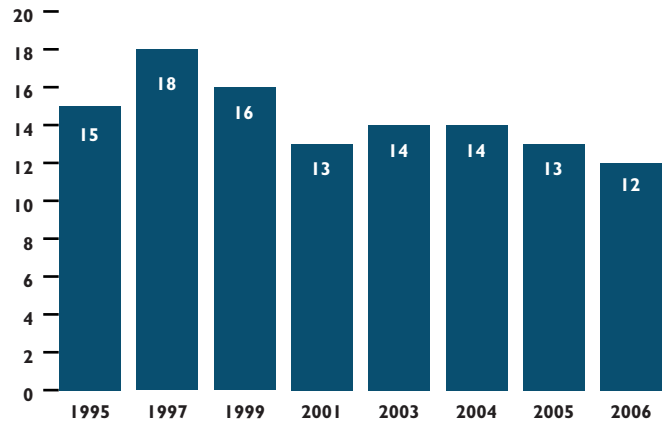
Sellers' satisfaction with their agent was high. Half of sellers also used the same agent for their home purchase. In addition, 82 percent of sellers indicated they were likely to use the same agent again or recommend their agent to others.

FSBOs

Some sellers choose to sell their home without the assistance of a real estate professional. Many of these for-sale-by-owner (FSBO) transactions occur between buyers and sellers who know each other prior to the transaction.

Twelve percent of recent home sales were completed by the sellers themselves. Of those FSBO transactions, 40 percent of sellers knew the buyer. Sellers in small towns and rural areas are more likely to sell without the assistance of a real estate agent than are those in

Percent of Homes Sold by FSBO 1995-2006



Source: The 2006 NAR Profile of Home Buyers and Sellers

Focus on Sellers (continued)

urban, resort or suburban locations.

The most frequently cited reason given by FSBO sellers (51 percent) was that they did not want to pay the real estate agent's commission. A significant share (22 percent) did not use an agent because they sold their home to a friend or relative. Among sellers who sold their home without ever using an agent, 22 percent noted that the main reason for selling as a FSBO was that they sold it to someone they knew.

But the share of FSBO sales has steadily declined from 18 percent in 1997 to 12 percent in 2006. (The record high was 20 percent in 1987.) One reason could be the considerable difference in the median selling price for FSBO and final sales price of agent-assisted sales. The median home price for sellers who used an agent was \$247,000; the median price for a FSBO-sold home was \$187,200.

While the survey data do not explain the price difference, FSBOs face challenges that agent-assisted sellers do not. Agents know best how to prepare a home and maximize its value; they provide broader exposure to the market and thus the homes are more likely to generate multiple bids. In addition, sales that are between private parties are likely to be at a lower price than those on the open market.

FSBO sellers must make many key decisions about how to price and market their home, often based on limited experience. The most difficult task, cited by 18 percent of FSBOs, was preparing or fixing up the home for sale. Other major problem areas included understanding and completing paperwork (16 percent), selling within the length of time planned (15 percent) and setting a right price for the home (11 percent).

Conclusion

Home sellers rely on the experience and professionalism of their real estate agents to market their homes, find buyers for their properties, and to assist them in the completion of the home sales transaction. In addition, their real estate professionals often help home sellers to purchase another home. The efficiency and knowledge provided by real estate agents and brokers are vital in helping homeowners sell their homes, whether in robust markets or during periods of slower housing activity.

For more information

The **2006 NAR Profile of Home Buyers and Sellers** is available for purchase. To order, call 1-800-874-6500. Ask for item #186-45-0506. Price for members is \$50; for nonmembers \$125. Or visit, www.REALTOR.org/Research. Click on "Buy Research." Additional information is available on page 13.

Most Difficult Task for FSBO Sellers (percent of respondents)

Preparing or fixing up home for sale	18%
Understanding/performing paperwork	16
Selling within specific timeframe	15
Getting the price right	11
Attracting potential buyers	9
Having enough time to devote to all aspects of sale	9
Helping buyer obtain financing	5
None/Nothing	14
Other	2

Source: The 2006 NAR Profile of Home Buyers and Sellers

Links to Statistical Data Series

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

Existing Home Sales – Monthly series

- [October 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 2006

- 3rd Quarter 2006 [existing home sales by state](#)
- Existing home sales by state in [spreadsheet format](#)
- 3rd Quarter 2006 [Median Home Prices by Metropolitan Area](#)
 - [3rd Quarter Single-family median home prices](#)
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