

real estate insights

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Real Intelligence –
Real Advantages

In This Issue

Existing-home sales posted 6.67 seasonally adjusted annualized units in May – slipping 1.2 percent from April and down 6.6 percent from May of 2005. Market conditions are mixed around the country, with slower home-sales activity in many higher cost markets, which are more sensitive to rises in interest rates, and higher home sales in moderately priced areas which have experienced job growth. The current level of home sales is still pretty healthy by historic standards. The national median existing-home price for all housing types was \$230,000 in May, up 6.0 percent from May 2005. Housing inventory levels rose 5.5 percent at the end of May to 3.60 million existing homes available for sale, which represents a 6.5-months' supply at the current sales pace. **Read more.**

Summertime. Folks are on vacation, kids are out of school, the pool beckons. But changes in the housing market don't take a break during the summer. In his commentary this month, NAR Chief Economist David Lereah looks at how some real estate markets are spending the summer. **Read more.**

Homeowners: The Growing Hispanic Market. Home ownership in the U.S. is near 70 percent. One driver of this activity is homebuyers of Hispanic background. This issue of *Real Estate INSIGHTS* takes a look at those areas of the country where Hispanic homebuyers are purchasing homes and how those buyers find those properties. **Read more.**

Affordable Housing. Even with home price appreciation near normal rates, many households are still concerned about the availability of affordable housing in their communities. A recent NAR survey shows that there is great support for the creation of affordable housing options. Our feature article this month highlights results of NAR's fourth annual National Housing Opportunity Pulse Survey. **Read more.**

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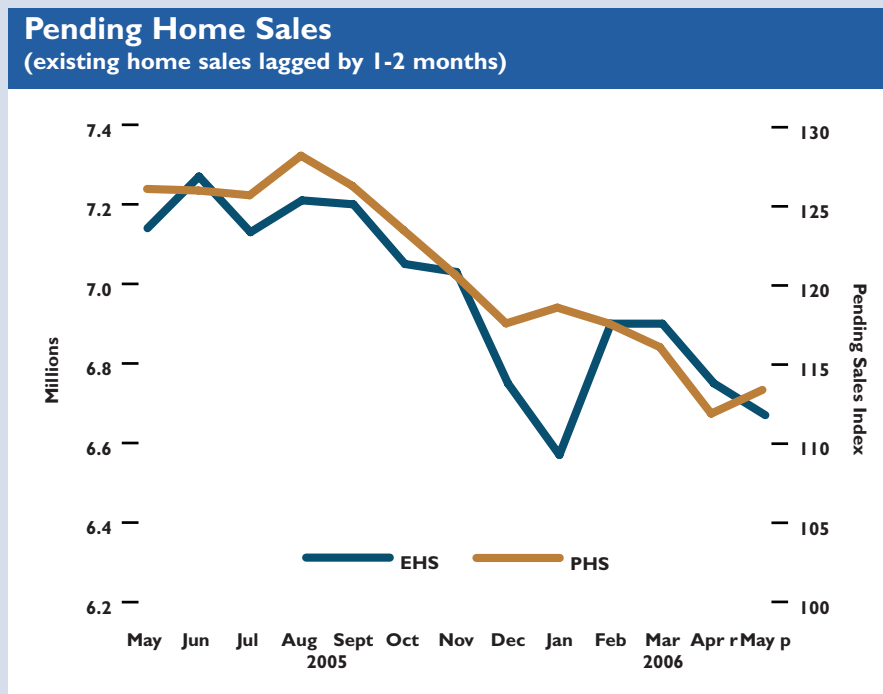
Real Estate Monitor

Monthly Indicator	Recent Figures	Likely Direction Over the Next Six Months	Forecast
<p>Existing-Home Sales eased slightly in May, posting 6.67 million seasonally adjusted annual units – a 1.2 percent decrease from April. The national median existing-home price was \$230,000 in May, up 6.0 percent from May 2005. Total housing inventory levels rose 5.5 percent at the end of May to a 6.5-months' supply at the current sales pace. Read more.</p>	Mar 6,900 Apr 6,750 May 6,670		Beginning to stabilize after having declined almost 10% from their peak
<p>New Home Sales New home sales rose 4.6% in May, posting a seasonally adjusted annual rate of 1.23 million units. April sales figures were revised upward to 1.18 million units. New home inventory decreased slightly to 556,000 – a 5.5-months' supply at the current sales rate. Read more.</p>	Mar 1,114 Apr 1,180 May 1,234		Home builders are clearing rising inventory with aggressive pricing
<p>Housing Starts After three months of decline, housing starts rebounded in May to 1.96 million seasonally adjusted annualized units. The reduction in housing demand wrought by higher interest rates has significantly raised inventory levels in many markets, and builders' sentiment has continued to fall as a result portending a less robust activity in the months ahead. Read more.</p>	Mar 1,972 Apr 1,863 May 1,957		Single-family units will be cut but more multifamily units will be built
<p>Housing Affordability Housing affordability, as measured by NAR's Housing Affordability Index, fell 3.9% in March to 104.5. The decrease was due to the combination of rising interest rates, an increase in the median price of homes, and an increase in the income necessary to qualify for a mortgage. Read more.</p>	Mar 111.9 Apr 108.7 May 104.5		To fall a couple of more notches before stabilizing
<p>Mortgage Rates In June, the 30-year fixed rate mortgage increased 8 basis points to 6.68%. The rise in mortgage rates has impacted affordability, and thus demand. Mortgage rates are expected to rise gradually throughout the year and should maintain at mid- to high 6 percent levels. Read more.</p>	Apr 6.51 May 6.60 June 6.68		Will hit 7% by the year's end
<p>Purchase Applications Mortgage loan application activity continued to slip in June. The Mortgage Bankers Association's purchase application index was 403.5 in June – its lowest level since October 2003. Demand for home purchases may continue to trend even lower in tandem with rising mortgage rates. Read more.</p>	Apr 412.0 May 408.8 June 403.5		Modestly lower from this point
<p>Employment The job market was up slightly in June, with the economy adding 121,000 to nonfarm payrolls. May's figure was revised upward to a still lackluster 92,000 jobs. The good news is that the unemployment rate remained steady at 4.6 percent – a rate considered as “full employment.” Read more.</p>	Apr 126 May 92 June 121		Subpar economic growth for the next two quarters holds back job gains
<p>Inflation The consumer price index (CPI) rose 0.4% in May. The core index, which excludes food and energy, rose 0.3%. Inflation eased off last month's sharp pace, but nearly every sector experienced increases in May. The bulk of the increase was from rising gas prices. Core prices will continue to rise steadily through the summer. Read more.</p>	Mar 0.4% Apr 0.6% May 0.4%		Oil prices likely to have peaked so CPI price increases will begin to slow

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 July 7, 2006.

NAR's Pending Home Sales Index

Pending home sales, a leading indicator for the housing sector, are showing signs of leveling out. NAR's pending home sales index rose slightly – 1.3% – in May to 113.4. May's index was the first increase in three months, but still 10.2 percent lower than in May 2005. The index is based on pending sales of existing homes. A sale is listed as pending when the contract has been signed but the transaction has not yet closed. Pending sales are generally 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 was the first of five consecutive record years for existing-home sales. The index appears to be moderating, and indicates that the housing market is stabilizing. [Read more.](#)



Source: NAR Research

Two Sides of the Coin

by David Lereah, *Chief Economist*

How, in the name of real estate, can a local market experience a dramatic drop in home sales and still continue to post healthy price increases? And will prices eventually fall?

Sound familiar? These are the most frequently asked questions that I've been confronted with in recent weeks. Let me tackle these questions head on.

It is true that some local markets are experiencing a significant drop in home sales while price appreciation maintains some strength (i.e., stays positive). But other markets are showing signs of price softening. Those cooling markets that continue to boast price appreciation are still in transition—from a sellers' market to a buyers' market. Usually, in the early stages of a such a transition, sellers continue to list their properties with large price increases, while buyers no longer have the appetite to bid on those lofty-priced homes. Sellers need to better read the market (they should listen to their REALTOR®!) and list their home at a more reasonable price.

Unfortunately, most of these sellers are still not being realistic. As a consequence, their properties are remaining on the market longer with little interest from buyers, costing sellers lost opportunity money. If most sellers in a local market refuse to lower their price expectations, then most listing prices do not change – thus, the market continues to post a positive appreciation rate, but at reduced volume.

We are observing this phenomenon in some cooling metros across the nation. For example, the Riverside-San Bernardino metro posted a 4 percent price appreciation in the first quarter of this year. Similarly, Daytona Beach posted a 7.3 percent increase, while Nassau-Suffolk (Long Island) posted a home price appreciation of 2.5 percent, to name a few.

Some cooling metros have already begun a descent. During the first quarter of this year Boston registered a negative 7 percent appreciation rate; Miami a negative 13.7 percent and Sacramento a negative 4.8 percent. All of these metros are also exhibiting a drop in sales, rising inventories, lengthening days on market and a softening in home prices. In some markets inventories have skyrocketed. Miami posted a 17.2 months'-supply for the first quarter of this year – compare that to a 7.2 months'-supply posted a year earlier. Similarly, the Sarasota-Bradenton metro registered a 16.1 months'-supply in the first quarter of this year versus a 7.2 months'-supply a year ago. Other markets have also experienced a rise in inventories, but on a smaller scale. Boston's months'-supply rose to 7.2 in the first quarter of this year compared with a 2.9 months'-supply in the first quarter a year ago, Los Angeles's month's supply rose to 5.2 in the first quarter of this year versus a months'-supply a year earlier.

But there is another side of this housing coin. Half of the nation is warming, not cooling. States like Texas, Utah, New

Mexico, Ohio, North Carolina, and South Carolina have experienced positive sales growth during the past several months. This suggests that the fundamentals for purchasing homes remain solid. Mortgage rates remain below 7 percent, while the supply of homes for the nation as a whole is at a balanced 6.5 months'-supply. In addition, the economy remains healthy, creating job and income gains, providing consumers with the confidence and wherewithal to purchase homes.

Households possess the desire and financial ability to purchase real estate—they are only waiting for the right opportunities to present themselves.

Looking ahead, I believe the current correction in most of our cooling real estate markets will be short-lived. This is because there is an army of households and investors waiting to get back into the housing market. Remember, today's housing correction is unlike previous ones. There is no recession; no net job losses; and interest rates are not rapidly rising to historically high levels. Households possess the desire and financial ability to purchase real estate – they are only waiting for the right opportunities to present themselves. These

households have postponed their buying decisions this year. That will result in a great amount of pent-up demand next year. Similarly, investors are waiting to get back into the housing market. Investors seeking competitive returns continue to look at real estate against the relatively weak performances of stocks and bonds. The existence of pent-up demand will minimize the size of price softening.

This is not to say that all of our nation's housing markets will experience the same soft landing. Some markets are actually fragile, vulnerable to a weakening local economy and/or rising interest rates. These markets are in a weakened state because they are experiencing affordability problems. Most major metros in California and some in Florida qualify. Households in these locations had to stretch their incomes by utilizing interest-only and adjustable-rate mortgage loans to pay for homes that are priced significantly higher than the nation's average. As interest rates continue to rise, mortgage costs rise in these markets, possibly resulting in mortgage delinquencies and defaults, inhibiting both real estate activity and local economic growth.

The Federal Reserve is walking a fine line with regard to their current interest-rate policy and the housing sector. The economy and particularly the consumer are showing signs of weakening, but inflation pressures are rising. With each interest-rate hike, inflation takes a blow, but so does the economy. If the Fed overshoots, we end up with higher mortgage rates and a sluggish economy having difficulty creating jobs. Both harm the housing sector, which, in turn, harms the entire economy again. We can only hope that Chairman Bernanke and the Fed deliberate carefully and are able to adroitly walk this tight rope.

THE FORECAST

by Lawrence Yun, Senior Forecast Economist

With home sales off by almost 10% from their peak in 2005, the housing market is now showing signs of stabilization. The latest volume of closed sales on existing homes dipped 1.2% in May; the forward looking (leading indicator) pending home sales rose 1.3%. Home prices, after having undergone a rapid deceleration, rose 6% in May from a year ago compared to the only 3.7% gain from April 2005 to April 2006.

At the same time we are seeing healthier fundamentals in the mortgage market. The share of adjustable-rate mortgages for home purchases has markedly declined from 34% of all mortgages one year ago to 24% currently. That is good news for homebuyers who thus minimize risk exposure from rising interest rates. The mortgage delinquency rate fell to 4.4% in the first quarter of 2006 from the fourth quarter of 2005. Modest declines were also seen in the foreclosure rate as well as in the number of properties in foreclosure. Household housing equity (\$11.4 trillion) and mortgage debt (\$8.9 trillion) have both significantly increased in recent years but the relative position has not changed all that much with equity being comfortably higher than debt. The number of overstretched loan originations – those originations with loan-to-value ratios of 90% or higher – comprised less than 20% of the market in May. In the highly unlikely event of a 10% price decline, 20% of recent buyers, but only about 2% of all homeowners, would be under water (where loan amount exceeds property value).

With the Fed now likely to end its tightening cycle, mortgage rates appear to be reaching close to their peak. Our forecast is for the 30-year fixed rate to increase from the current

6.8% to an average 7% by year-end and 7.1% by the first half of 2007. Rates are likely to fall in the latter half of 2007 if the Fed reverses its tightening policy. That is a very likely scenario since the inflation rate is projected to decelerate into a very comfortable 2.3% range in 2007. The modestly falling interest rates, alongside continued job creation, will then re-energize the housing sector in the second half of 2007. At least for the next 12 months though, the real estate industry

needs to brace itself for the current weakened level of sales activity.

Should the Federal Reserve decide to continue to increase the Federal Funds rate, such an over-tightening will strain the

housing market. Let's look at a scenario where there is a 50 basis-point rise in the fed funds rate. That would also likely mean a near equal rise in long-term rates (now that the spread between short- and long-term rates has greatly narrowed). Rather than a 6.7% home sales decline in 2006 and essentially flat sales in 2007 (as in the baseline forecast), if mortgage rates were to go up to 7.5%, home sales would decline by about 10% in 2006 and by an additional 7% in 2007. Such a two-year cumulative 17% decline in sales would be sufficient to induce a true home price decline. Once home prices begin to decline, a negative consumer sentiment fueled by either static or decreased equity gains from their homes would result in a sizable reduction in consumer spending. That would inevitably lead to an economic recession. Job losses, reduced wage growth, stock market declines, weakening dollar, and rising federal budget deficit are not a pretty sight to envisage. The Fed needs to be doubly mindful of not over-tightening.

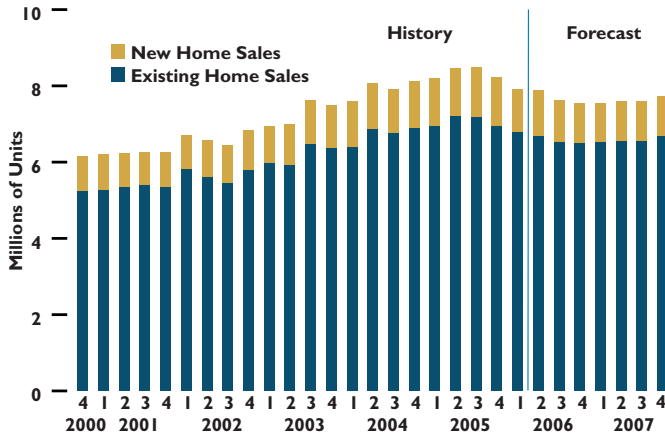
Homebuilders, meanwhile, appear disciplined. They are cutting back on construction in response to rising unsold inventory. While starts were up for May, single-family housing starts were running 8% lower in April and May of this year compared to comparable periods in 2005. Price incentives, as evidenced by low new-home price growth, have helped move some of the inventory. An oversupply of new homes would be unwelcome and could potentially also lead home prices to decline.

Multifamily housing starts are modestly higher in 2006, but that is not a problem. Nearly four million net new jobs in the past two years have raised the demand for rental apartment units. Rents are projected to rise 4.1% in 2006 compared to 2.9% in 2005. Markets that have experienced a dramatic run-up in home prices last year like many in California and Florida can demand even a higher rent growth – possibly even close to 8%. These markets already have one of the lowest vacancy rates to begin with and vacancy is poised to head even lower. Investors' return will be in the form of rent growth rather than price appreciation over the next two years.

With the Fed now likely to end its tightening cycle, mortgage rates appear to be reaching close to their peak

Home Sales

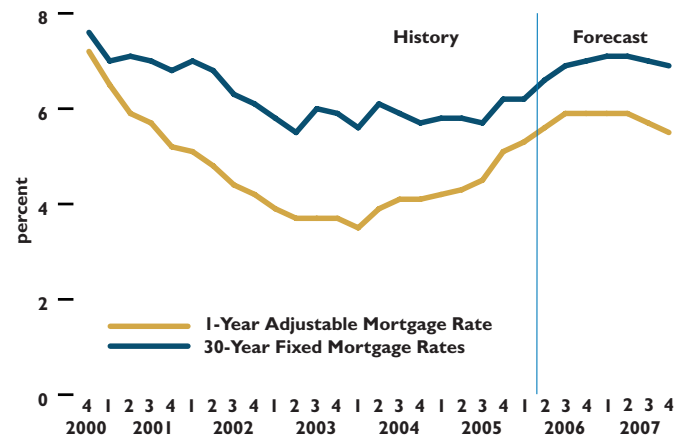
Still healthy despite higher interest rates



Sources: NAR, Bureau of the Census, NAR Forecast

Mortgage Rates

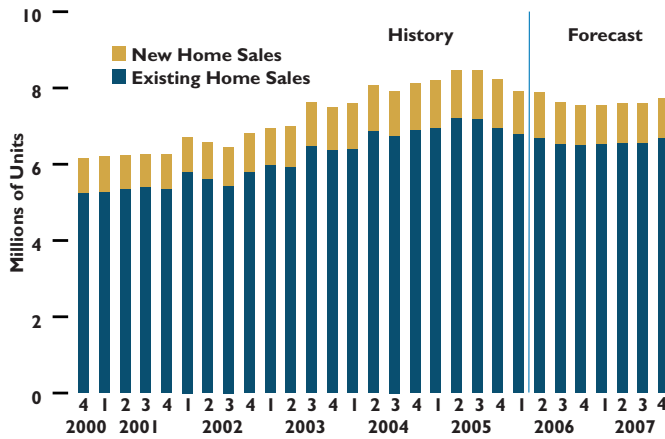
Still historically low



Sources: Freddie Mac, NAR Forecast

Housing Starts

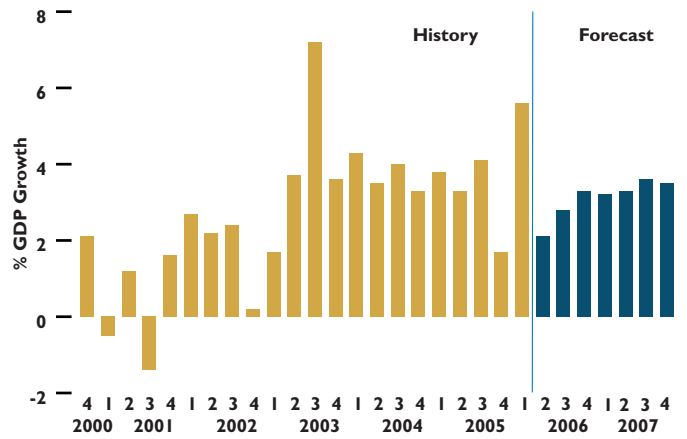
Builders waiting for absorption of inventory



Sources: Bureau of the Census, NAR Forecast

Economic Growth

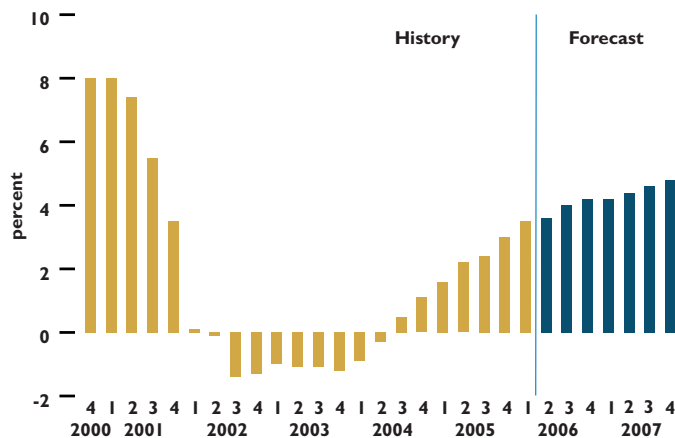
Economic expansion continues at slower pace



Sources: Bureau of Economic Analysis, NAR Forecast

Apartment Rent Growth

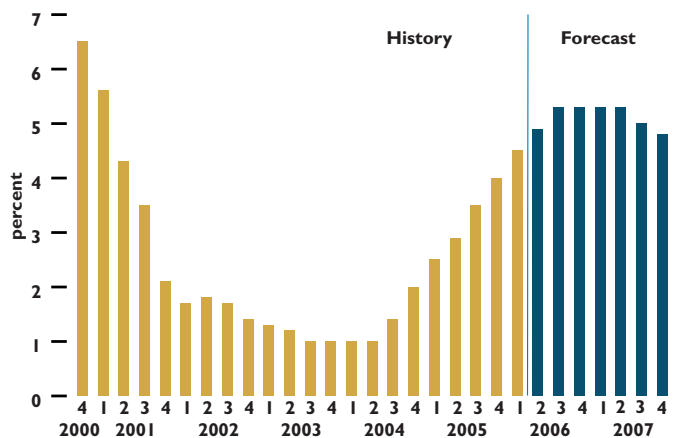
Population and job growth drive demand up



Sources: Torto-Wheaton, NAR Forecast

Federal Funds Rate

The Fed trying to keep inflation at bay



Sources: Federal Reserve, NAR Forecast

U.S. ECONOMIC OUTLOOK

July 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	4.1	1.7	5.6	2.1	2.8	3.3	3.2	3.3	3.6	3.5	4.2	3.5	3.4	3.2
Nonfarm Payroll Employment	1.6	1.2	1.7	1.1	1.1	0.8	0.7	0.9	1.5	1.3	1.1	1.5	1.3	1.0
Consumer Prices	5.5	3.2	2.2	5.0	2.5	1.4	2.0	2.2	2.5	3.1	2.7	3.4	3.4	2.3
Real Disposable Income	-1.4	5.1	1.5	6.0	3.9	5.1	5.2	3.6	3.7	3.0	3.4	1.4	3.1	4.4
Consumer Confidence	99	96	106	107	106	105	104	104	105	106	80	100	106	105
Percent Unemployment	5.0	4.9	4.7	4.6	4.7	4.9	5.0	5.1	5.1	5.0	5.5	5.1	4.7	5.1
<i>Interest Rates, Percent</i>														
Fed Funds Rate	3.5	4.0	4.5	4.9	5.3	5.3	5.3	5.3	5.0	4.8	1.3	3.2	5.0	5.1
3-Month T-Bill Rate	3.4	3.8	4.4	4.8	5.1	5.1	5.0	5.0	4.8	4.5	1.4	3.1	4.8	4.8
Prime Rate	6.4	7.0	7.4	7.9	8.3	8.3	8.3	8.3	8.0	7.8	4.3	6.2	8.0	8.1
Corporate Aaa Bond Yield	5.1	5.4	5.4	5.9	6.1	6.2	6.3	6.3	6.3	6.3	5.6	5.2	5.9	6.3
10-Year Government Bond	4.2	4.5	4.6	5.1	5.3	5.4	5.5	5.5	5.4	5.3	4.3	4.3	5.1	5.4
30-Year Government Bond	4.4	4.7	4.6	5.2	5.5	5.5	5.6	5.6	5.6	5.6	5.1	4.6	5.2	5.6
<i>Mortgage Rates, percent</i>														
30-Year Fixed Rate	5.7	6.2	6.2	6.6	6.9	7.0	7.1	7.1	7.0	6.9	5.8	5.9	6.7	7.0
1-Year Adjustable	4.5	5.1	5.3	5.6	5.9	5.9	5.9	5.9	5.7	5.5	3.9	4.5	5.7	5.8
Housing Indicators														
<i>Thousands</i>														
Existing Home Sales*	7,180	6,943	6,790	6,687	6,508	6,495	6,507	6,553	6,540	6,671	6,779	7,075	6,601	6,563
New Single-Family Sales	1,297	1,280	1,108	1,189	1,106	1,056	1,046	1,044	1,052	1,069	1,203	1,283	1,118	1,052
Housing Starts	2,101	2,060	2,123	1,933	1,859	1,792	1,783	1,789	1,795	1,819	1,956	2,068	1,927	1,797
Single-Family Units	1,748	1,718	1,747	1,583	1,507	1,435	1,414	1,405	1,407	1,425	1,611	1,716	1,568	1,413
Multifamily Units	353	342	376	350	352	357	370	384	388	394	345	352	359	384
Residential Construction**	610	614	619	609	589	571	560	557	559	564	562	602	597	560
<i>Percent Change -- Year Ago</i>														
Existing Home Sales	6.5	0.9	-2.2	-7.0	-9.4	-6.4	-4.2	-2.0	0.5	2.7	9.8	4.4	-6.7	-0.6
New Single-Family Sales	11.9	3.1	-11.8	-7.4	-14.7	-17.5	-5.6	-12.2	-4.9	1.2	10.8	6.7	-12.8	-5.9
Housing Starts	6.3	4.8	2.6	-6.3	-11.5	-13.0	-16.0	-7.4	-3.4	1.5	5.2	5.7	-6.8	-6.8
Single-Family Units	6.5	6.7	2.6	-7.3	-13.8	-16.5	-19.1	-11.3	-6.6	-0.7	6.6	6.5	-8.6	-9.9
Multifamily Units	4.9	-3.7	2.9	-1.9	-0.5	4.5	-1.7	9.8	10.4	10.3	-0.9	1.9	1.9	7.1
Residential Construction	7.2	7.6	6.0	1.7	-3.4	-7.0	-9.5	-8.6	-5.2	-1.3	10.3	7.1	-0.8	-6.2
Median Home Prices														
<i>Thousands of Dollars</i>														
Existing Home Prices	227.3	225.3	218.7	231.7	238.0	234.6	227.0	240.5	247.5	244.7	195.4	219.6	231.3	240.5
New Home Prices	236.6	240.1	244.1	237.1	243.4	249.3	254.6	247.3	254.1	260.7	221.0	240.9	243.3	254.1
<i>Percent Change -- Year Ago</i>														
Existing Home Prices	14.2	13.4	9.5	5.3	4.7	4.1	3.8	3.8	4.0	4.3	9.3	12.4	5.3	4.0
New Home Prices	10.5	5.4	6.2	3.0	2.9	3.8	4.3	4.3	4.4	4.6	13.3	9.0	1.0	4.4
Housing Affordability Index	112	110	112	104	103	103	103	102	102	104	134	122	106	103

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 Growing Influence of Hispanics and Latinos: A Look at Recent Homebuyers

by Clinton Stumpf, Research Intern*

According to the most recent data from the U.S. Census Bureau, the Hispanic/Latino population is growing rapidly in the South and West especially in California, Texas and Florida. The rapidly growing number of Hispanic/Latino households will strongly influence social, financial and housing activity in the years ahead. Indeed, the latest information from NAR's survey of home buyers and sellers shows that this segment of the population is playing an increasingly important role in the housing market.

The Numbers Tell the Story

The Hispanic/Latino population rose from 22.4 million in 1990 to 35.3 million in 2000 – a 58 percent increase compared to the 13 percent increase in the overall U.S. population. Between 2000 and 2004, the Hispanic/Latino population grew to more than 40 million, an additional 14 percent increase. Of the 40 million Hispanic/Latino U.S. residents, 24 million (59.7 percent) are native-born, and 16 million (40.3 percent) are foreign-born. By comparison, 88.1 percent of U.S. residents are native-born, and 11.9 percent are foreign-born.

Generally, Hispanic/Latino households are younger and have lower incomes than other U.S. households. The median age of Hispanic/Latino residents is 26.8 years while the typical U.S. resident is 35.9 years old. The median income of Hispanic/Latino households is \$33,000 compared with \$43,320 among all U.S. households.

Homebuying Activity – Regional Differences

As the share of Hispanic/Latino households in the U.S. grows, more and more will be purchasing their first home or trading up to another home. In 2005, six percent of all homebuyers were Hispanics/Latinos. But there are differing

levels of their homebuying activity across regions of the country.

The regional concentration of Hispanic/Latino homebuyers varies widely. In the South, seven percent of buyers were Hispanic/Latino while the comparable share in the West was 10 percent. In contrast, the share of Hispanic/Latino buyers was three percent in the Northeast and just two percent in the Midwest. Looking more closely at data from the **2005 NAR Profile of Home Buyers and Sellers** reveals several important differences as well as some similarities between Hispanics/Latinos and all other homebuyers.

A Younger Group of Homebuyers

Hispanic/Latino homebuyers differ in several ways from the typical U.S. homebuyer. The typical Hispanic/Latino homebuyer had a household income of \$64,900 in 2004 compared with \$71,600

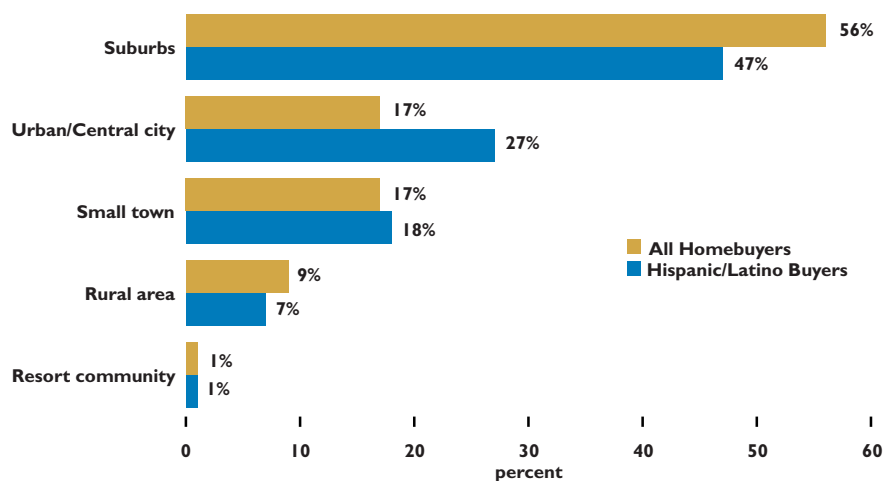
for all homebuyers. There is somewhat less disparity between Hispanic/Latino homebuyer income and the incomes of all buyers since the income necessary to afford a home in most regions limits the opportunities of those potential homebuyers with the lowest incomes.

Since Hispanic/Latino households tend to be younger than the typical household, Hispanic/Latino homebuyers are also somewhat younger than homebuyers generally. In 2005, the median age among all Hispanic/Latino homebuyers was 37 compared to 40 among all homebuyers.

First Time Homebuyers: Seeking the American Dream

Like many Americans, Hispanic/Latinos want to achieve the American Dream of owning a home of their own. As more and more relatively young Hispanic/Latino households seek homeownership, a large share of these households will be first-

Where Homebuyers Live

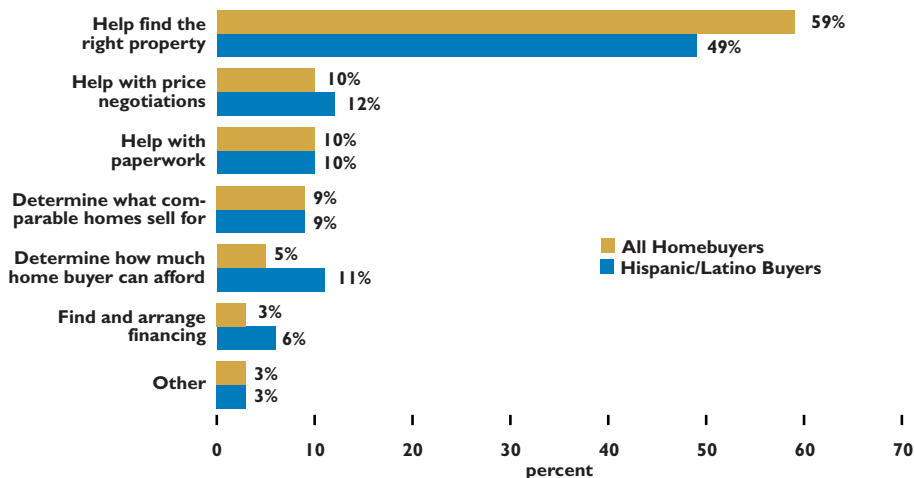


Source: NAR Research

*Mr. Stumpf was a summer intern for NAR Research through the Engalitcheff Institute for Comparative Political and Economic Systems of The Fund for American Studies. The Fund was founded in 1967 to help instill in young people an appreciation for the American form of government and the free enterprise system. The Fund sponsors several Institutes that teach college students about the principles and values upon which the United States was founded. NAR has been a supporter of the program since 1987. For more information about the Fund for American Studies, visit www.tfas.org.

Growing Influence (continued)

What Buyers Want from Their Real Estate Agent



Source: NAR Research

time buyers. As a result, the share of first-time Hispanic/Latino homebuyers was 49 percent in 2005 compared to 40 percent among all homebuyers.

More Often Urban Buyers

Hispanic/Latino homebuyers are more likely to purchase a townhome or row house than are other buyers and less likely to purchase a detached single-family home. Based on data from the **2005 NAR Profile of Home Buyers and Sellers**, 12 percent of Hispanics/Latinos purchased a townhome compared with nine percent of all homebuyers. In contrast, 68 percent of Hispanics/Latinos purchased a detached single-family home compared with 75 percent of all homebuyers in 2005.

Hispanic/Latino homebuyers more frequently purchase homes in urban areas. This is not surprising, since townhomes and apartments are concentrated in more urban areas. In 2005, for example, 27 percent of Hispanic/Latino homebuyers purchased a home in an urban location compared with 17 percent of all homebuyers.

Although suburbs are the most popular location of home purchases among all demographic groups, 47 percent of Hispanic/Latino buyers purchased a suburban home compared

with 56 percent of all homebuyers. Some differences in location preference are also related to age with younger households more likely to live in an urban area, a factor also at play with Hispanic/Latino homebuyers who are younger than the typical homebuyer household.

Searching for a Home

When searching for a home, homebuyers make use of many sources of information including real estate agents, yard signs or the Internet. Hispanic/Latino homebuyers do not differ from the typical homebuyer in how they first found their home. Thirty-seven percent of Hispanic/Latino buyers first found their home using a real estate agent compared with 36 percent of all homebuyers.

The Role of the Internet

The growing impact of the Internet is also reflected among homebuyers as well. Research has shown that the Internet is playing an increasingly important role as homebuyers search for a property to purchase. It is much easier to search online than it was several years ago because of greater Internet access at home and at work. Barriers to use of the Internet are diminishing making accessibility greater for all homebuyers including Hispanics and Latinos.

Hispanic/Latino homebuyers do not differ from the typical homebuyer in how they search for a home. Like all homebuyers, over half of Hispanic/Latino buyers frequently used the Internet to search for a home. Twenty-one percent of Hispanic/Latino buyers and 24 percent of all homebuyers first found the home they ultimately purchased online. Only one quarter of Hispanic/Latino buyers reported that they did not use the Internet at all in their home search.

Working with Real Estate Professionals

When working with a real estate agent, Hispanic/Latino homebuyers report somewhat different expectations than homebuyers generally. For example, 10 percent of Hispanic/Latino homebuyers wanted their agent to help them determine how much home they could afford compared with five percent of all homebuyers. Since a large share of Hispanic/Latino buyers is purchasing their first home, many are uncertain about the process of buying a home and want additional information about what they can afford. Also, almost half of the Hispanic/Latino homebuyers wanted their agent to help them find the right property to purchase compared to 60 percent of all homebuyers.

Building a Diverse Clientele

While Hispanic/Latino homebuyers share many of the same preferences and characteristics of all homebuyers, they also differ in important ways largely because they are generally younger than the typical homebuyer. By providing the expertise and information homebuyers seek, REALTORS® have an opportunity to assist this rapidly growing segment of the housing market in one of their most important decisions.

Concerning Affordable Housing: NAR's Housing Opportunity Pulse Survey

by NAR Staff

With home prices still rising, and monthly housing costs for financing, taxes and energy on the increase as well, affordable housing is a growing concern. And not just for first-time homebuyers. NAR's fourth annual National Housing Opportunity Pulse Survey* reveals a growing concern among Americans about the high cost of housing.

In a nationwide survey, 1,000 adults were asked a variety of questions regarding not only the price of housing, but also how a lack of affordable housing has affected them personally. Respondents to the June 2006 survey also indicate great support for the creation of affordable housing in their communities, in their neighborhoods and even on their street.

Survey Findings

The survey found that more than 42 percent of Americans cite the lack of affordable housing in their community as one of their top three concerns, following high energy costs (82 percent) and the lack of affordable health care (53 percent). Nearly a third worry that the cost of housing is so unaffordable that they will never be able to buy a home and more than 58 percent are concerned that the cost of a home is becoming so unaffordable that it is hurting their local economy.

One out of three Americans worries that rising monthly payments – especially property taxes and energy costs – will force them to sell their home and buy a less expensive one. The survey also found that, by a 2-to-1 margin, Americans believe high monthly payments rather than high down payments are the greatest obstacle to buying a home. Rising property taxes are the leading concern

associated with owning a home (34 percent), followed by increasing electrical, fuel and other energy costs (28 percent). Only 14 percent said rising mortgage interest rates would keep them from becoming homeowners.

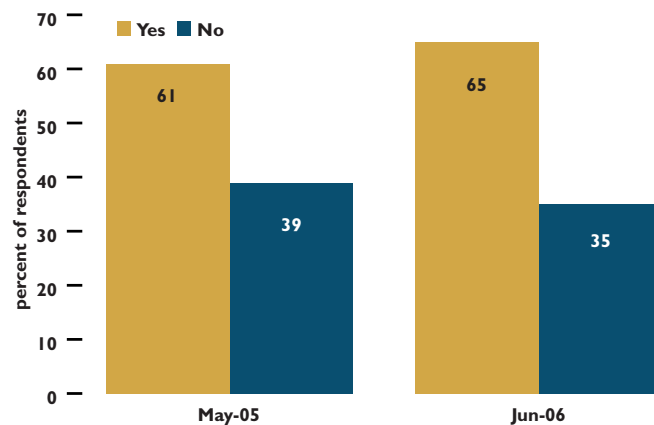
Rising Costs

Nearly two thirds of families are concerned about being able to find a home they both like and can afford. Many families are struggling to meet the high cost of homeownership. In 2003, the average monthly mortgage principal and interest payment was \$840. In 2005, families were paying 23.8 percent more or \$1,040 monthly. In the past year alone, the average monthly mortgage principal and interest payment has gone up 11.5 percent – from \$1,015 in April 2005 to \$1,132 in April 2006.

Increasingly, rising housing costs also reflect increased outlays for property taxes and energy utilities. The Energy Information Administration estimates that in February 2006 the price of electricity was 12 percent higher than February 2005; natural gas was up 28 percent; and home heating oil was up 25 percent. State and local property taxes for the 2004 fiscal year averaged \$1,121 per person, up 13.8 percent from fiscal year 2003 when the average was \$985, and 15.7 percent higher than the \$969 average for the 2002 fiscal year, according to the Census Bureau.

The lack of affordable housing is also affecting renters. More than two thirds (68 percent) of Americans believe having enough money to pay rent every month is difficult for families in their communi-

Are You Concerned about the Cost of Housing in Your Area?



Source: NAR National Housing Opportunity Pulse Survey

*The telephone survey of 1,000 urban and suburban adults in the top 25 media markets was conducted for NAR by Public Opinion Strategies, a national political and public affairs research firm in Alexandria, VA. Complete survey results are available at www.realtor.org/housopp.nsf/pages/pulsesurvey2006.

Housing Opportunity Pulse Survey (continued)

ty, up 7 percent from last year.

Support for Affordable Housing

Support for affordable housing is high. Americans are increasingly looking to their local leaders to seek ways to take a more active role in addressing affordability issues in their communities. Eight in ten would be willing to support more affordable homes being made available

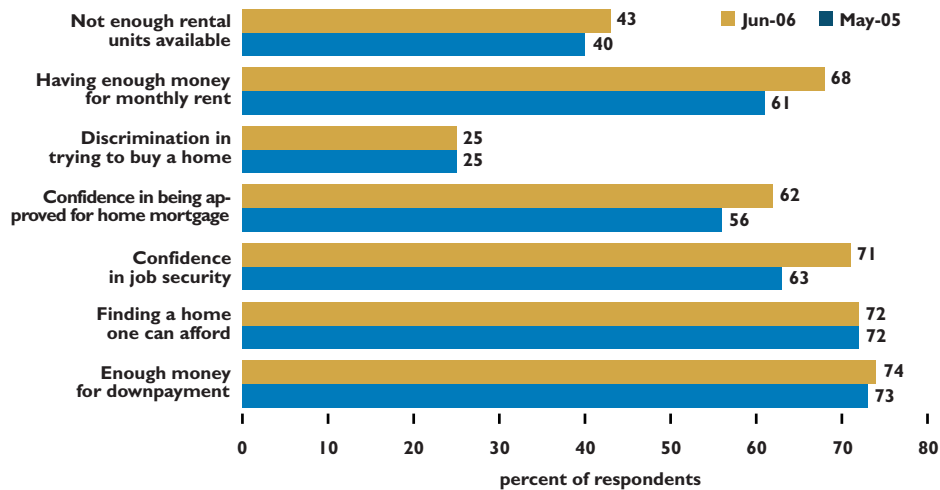
for people in their community and a record 68 percent would be more likely to vote for a candidate that worked to make housing more affordable in their area, up six percent in two years.

How REALTORS® Can Help

REALTORS® play an important role in building communities. They understand the housing concerns in their neighbor-

hoods and can therefore be leaders in promoting programs, resources and business opportunities to expand housing availability and help make every family's dream of homeownership a reality. NAR's Housing Opportunity Program allows REALTORS® to work with leaders in their communities to promote affordable housing options for current and future homebuyers.

Obstacles to Affordable Housing



Source: NAR Housing Opportunity Pulse Survey

The annual National Housing Opportunity Pulse Survey is conducted by NAR's Housing Opportunity Program. The Housing Opportunity Program was created in 2002 with the mission of providing REALTORS® with the tools and information they need to promote housing opportunities in their community, in both the rental and homeownership sectors of the market. The program encourages local REALTOR® associations to create housing opportunity initiatives aimed directly at helping consumers gain access to housing. At this point, nearly 300 state and local associations have such programs in place.

Links to Statistical Data Series

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

Existing Home Sales – Monthly series

- [May 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 – 1st Quarter 2006

- 1st Quarter 2006 [existing home sales by state](#)
- Existing home sales by state in [spreadsheet format](#)
- 1st Quarter 2006 [Median Home Prices by Metropolitan Area](#)
 - [1st Quarter Single-family median home prices](#)
 - 1st Quarter Single-family median home prices in [spreadsheet format](#)
 - [1st Quarter Condominium/Co-op median sales price](#)
 - 1st Quarter Condominium/Co-op median sales price in [spreadsheet format](#)

NAR's Pending Home Sales Index

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

NAR's Housing Affordability Index

- [May HAI Index](#)
- May Housing Affordability Index in spreadsheet format available [here](#)
- Quarterly Housing Affordability Series
 - [1st Quarter 2006 Affordability Index](#)
 - 1st Quarter 2006 Affordability Index in spreadsheet format available [here](#)
 - [First-time homebuyer Affordability Index, 1st 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.

From NAR Research!

The 2006 Profile of Second-Home Owners

Did you know ...

- the median age of vacation-home owners is 59
- the typical vacation home is 220 miles away from the owner's primary residence
- 35 percent of investment properties are located in the suburbs
- 85 percent of investment properties were previously owned
- vacation-home owners spend a median of 39 nights in their vacation home

Owning a second home is becoming more and more popular. Whether a second home is used as a vacation retreat, an investment, or as an eventual retirement residence, second-home owners have taken advantage of historically low interest rates and the equity they've built up from owning their primary residence.

For more information about purchasing the new **2006 Profile of Second-Home Owners**, call 1-800-874-6500; ask about item #186-55-06, or visit www.realtor.org/research, and click on "Buy Research."

