

GREETINGS FROM GRACE TITLE



Preview of Contents...

- 1. We predict 2005 will be a great year for the Real Estate and Mortgage businesses**
- 2. Please RSVP for our seminar on 1031 Exchanges**
- 3. Article Reprint: Second Homes: One Third Of Housing Market**

Dear Friend,

Wow!!! We are off to a fantastic start for the year in our Industry. Grace Title, Inc. has just had another record month for closings and we have every reason to believe that this will be a great year for our friends in the Real Estate and Mortgage business. Of course, the big news for February was that the Fed increased the Fed Funds Rate to 2.5%. But interest rates are still attractive enough for home buyers and investors alike to keep the market heated up. In addition to new sales, A-paper and sub-prime lenders have been doing a tremendous amount of re-finance business also. So it looks as though we have every reason to be optimistic for the Real Estate business for the balance of the year.

In addition to the great increase in Real Estate sales for February, consider the following taken from a Joint Center for Housing study at Harvard University:

- Housing and all its related transactions accounted for 23.1 percent of Gross Domestic Product in 2003 and over the past 50 years that figure has been as high as 25 percent
- About six in 10 homeowners have more home equity than stock wealth
- Housing wealth accounts for 36 percent of the nations tangible assets
- Last Year the home ownership rate was 68 percent and climbing

As if all of this isn't enough great news for our industry, Florida Real Estate purchases out-paced projections by 25%. So you see we have much to be optimistic about.

-- Greg Gary & Pat Clark

This month we also wanted to call your attention to the second home and investors market. Because investors are creating so much wealth and capital gains in their holdings, we want to invite our friends and clients to join us for a short seminar on the 1031 Exchange program. We have partnered with IPX so that we can offer 1031 Exchange services for those of you who are investors or work with investors on a regular basis. IPX/Investment Property Exchange Services, Inc. is a national "Qualified Intermediary" and is the largest in the United States handling over 2000 1031 Exchanges *per month* last year. **We have asked one of the attorney's from IPX to come and be our guest speaker from 10:00 a.m. until 12:00 noon on March 25, 2005.** The meeting will be held at the Holiday Inn on Wymore Road in Altamonte Springs located one block west of I-4 and south of State Road 436. Lunch will be provided after the seminar at the office of Grace Title, Inc.

Finally, we have attached an interesting article from this month's *Realty Times* for you to print and read at your leisure regarding the "second home" and investment real estate market. We hope you enjoy it and look forward to seeing you at our seminar on March, 25. Please RSVP Ashley Burke at 321-207-0465 as we need a head count for the Holiday Inn.

Thank you for thinking of Grace Title for all of your land title and real estate closing needs.

Second Homes: One Third Of Housing Market

by Broderick Perkins

The second home market isn't what analysts once thought it was.

It's much, much bigger, accounting for one third of the nation's housing market of both existing, and new homes.

Second home purchases accounted for more than a third of all home purchases last year, owned second homes account for more than one third of the nation's entire housing stock, and second homes were purchased more often last year for investment purposes rather than for vacation homes, according to the National Association of Realtors.

The data reveals that the true size of the second home market has been underestimated in recent years, and a new report says that it's due to the fast growth in the sector, and ongoing changes, in second home definitions and techniques used to track of the data.

"...Buyers were looking to diversify portfolio investments. This is now the most frequently cited motivation for purchasing a second home," said NAR President Al Mansell, CEO of Coldwell Banker Residential Brokerage in Salt Lake City.

Wealthy baby boomers, favorable tax law changes, rapid home price appreciation, the influx of stock market refugees looking for safe investment havens, and more domestic travel due to post-911 security concerns have all been a boon to the second home industry -- especially the investment segment.

The "[2005 National Association of Realtors Profile of Second-Home Buyers](#)" released yesterday found:

- Among all home sales last year, 36 percent were second homes purchases. Among all homes purchased in 2004, 23 percent were purchased as investment properties and 13 percent were purchased as vacation homes.
- Among all second homes, sales totaled 2.82 million units in 2004, up 16.3 percent from 2.42 million 2003. Among all second homes, 64 percent were purchased as investment properties while 36 percent were purchased as investment homes.

Years ago, the first second home benchmark survey "[2002 National Association Of Realtors Profile of Second-Home Owners](#)", said 51 percent of existing owners used their second home primarily as a vacation getaway, with only 31 percent of the homes considered investment properties.

The new numbers do track NAR's more recent "[2003 Profile of Home Buyers and Sellers](#)" which, when examining second home buyers found growth in the number of second-home property investors -- from 20 percent in 1999 to 37 percent in 2002.

While the investment property segment of existing homes was larger than the vacation property share, vacation home sales grew faster. Vacation-home sales rose 19.8 percent from 850,000 in 2003 to 1.02 million in 2004. Investment property sales rose 14.4 percent from 1.57 million in 2003 to 1.80 million last year (Fourth quarter NAR statistics revealed all resale home sales were up only 7.3 percent last year).

Among the nation's entire existing housing stock of 115.9 million homes, 38 percent of them -- 43.8 million homes -- are second homes. Among the 43.8 million second homes, the vast majority, 37.2 million, are investment units while only 6.6 million are vacation homes, NAR said, based on 2003 U.S. Census Data.

Last month, [EscapeHomes.com's](#) Second Home Buyer survey of visitors to its web site netted only 363 responses, but found that the greatest share of prospective second home buyers, 29 percent, were looking for investment properties. The survey said 26 wanted a retirement home and only 18 percent were looking for a vacation home. A year earlier, second-home seekers were more evenly split: 25 percent sought a second home as an investment, 25 percent wanted one for retirement and 24 percent sought a vacation home.

Another study, "[The Second Home/Vacation Property National Study](#)" was more in line with NAR's most recent study, and found that two-thirds of those surveyed were looking for properties with investment potential.

"We once had 78 percent of second homes as vacation properties and the rest were investment, but definitions change and we started to find a rising market share for

investment properties and by 2002, things had shifted quite a bit. When we did this survey to get market share, the numbers were so eye popping, we looked at census data to corroborate the big universe of investor-owned properties," said Walt Molony an NAR spokesman.

Molony says the survey is a portrait of the entire second home market which is largely resale homes but also includes newly built homes. David Lereah, NAR's chief economist, also said earlier studies underestimated the number of second-home sales because a very small percentage of surveys mailed to second-home addresses were returned.

"We found excellent results for studies looking at owner-occupied homes, but this is the first time anyone has come up with a methodology for capturing a representative market share for vacation- and investment-home owners," he said.

The second home market also represents some quantum shifts.

For example, NAR found that 86 percent of vacation-home buyers do not rent their property, compared with only 21 percent of investment buyers. It also appears that the majority of investment homes are a renter's primary residence, and only 10 percent of investment buyers intend to use their second property for recreational purposes.

Mansell said "We're finding that the distinctions between vacation- and investment-home buyers are such that we're really looking at two very different markets."

The typical vacation-home buyer was 55 years old and earned \$71,000 in 2003, while investment-property buyers had a median age of 47 and earned \$85,700.

For properties purchased between mid-2003 and mid-2004, the median price of a vacation home was \$190,000 compared with \$148,000 for investment homes. In contrast with the last available full-year price data in 2001, vacation homes have appreciated 12.8 percent from \$168,500, and investment homes have risen 25.4 percent from \$118,000.

That's inline with an EscapeHomes.com survey last year, which reported second homes values in select markets rose 22.2 percent during a one-year period -- twice the rate of the overall housing market.

NAR found that one out of five second homes will become primary residences after retirement -- 27 percent of vacation homes and 14 percent of investment property.

Overall, 30 percent of buyers purchased a second home to diversify investments, 28 percent sought rental income, 14 percent wanted a personal or family retreat, 6 percent planned to use the home for vacations, and 5 percent simply had extra money to spend.

"Because the typical second-home buyer is a baby boomer, it's likely over the next decade that second-home sales will remain historically high," Lereah said. "The boomers are still in their peak earning years and have both the wherewithal, and the desire to purchase vacation homes and investment properties."

The typical vacation home purchased was a single-family detached home, accounting for 83 percent, with a median size of 1,290 square feet. Half of all buyers said their vacation home was smaller than their primary residence, 13 percent said about the same, and 37 percent reported it was larger.

NAR's second-home study was based on two surveys, a mailed demographics survey completed by 8,205 respondents, and an e-mailed survey that captured data for 3,371 home purchases and was correlated with U.S. Census Bureau statistics.

Published: March 2, 2005



**225 S. Westmonte Drive, Suite 2080
Altamonte Springs, FL 32714
321-207-0465
321-207-0466 (Fax)**