

# Residential real estate still key to U.S. economy

by Frank Pellegrini

As 2005 begins, it seems fairly certain that the residential real estate market will continue to be a bulwark of the U.S. economy.

Just look at the evidence: Interest rates remain at historically low levels. Home prices continue to appreciate at a remarkable rate, especially in the Chicago area. This gives consumers incentive to remain in the purchase and equity loan markets. While refinances have slowed, the other sectors of the industry continue to produce strong numbers.

On the home sale side, the National Association of Realtors® issued the following projection: Following an estimated 8.9 percent jump to 6.64 million existing-home sales in 2004, activity will remain strong. Sales should decline about 2.5 percent to a total of 6.48 million in 2005, which would be the second-highest on record. New-home sales should come in at a record 1.19 million for 2004, up 9.5 percent from 2003, with 1.11 million sales expected in

2005 — which would also be the second strongest on record.”

David Lereah, the association’s chief economist, said the housing sector is operating at a higher plateau.

“No one expects home sales to set a record every year, with some ebb and flow normal as market conditions and needs shift,” he said. “Even so, home sales will stay well above what was considered to be a healthy level in the late 1990s. The population has grown, household formation is strong and demographics tell us this trend will continue.”

There’s a new twist in the market, though. After several years of low interest rates in which fixed-rate mortgages dominated the market, adjustable rate mortgages have come to the forefront as their costs to consumers have eased.

Freddie Mac’s year-end report on 2004 activity stated that: “Adjustable-rate mortgages accounted for 34 percent

of the conventional purchase-money market in 2004, which is the second highest annual share since 1994, when the share was 39 percent, according to an annual survey released by Freddie Mac. Initial rates on ARMs rose by about 40 basis points over the course of the year because they typically are priced off of financial instruments with shorter maturities that match the length of the initial adjustment period. When the interest-rate difference between a 30-year fixed-rate mortgage and the fully indexed ARM rate decreases, lenders generally offer a larger initial rate discount on the ARM.”

Frank Pellegrini is president of Oak Park-based Prairie Title.



## RE/MAX City continues to grow

RE/MAX City recently acquired its first office in the Bucktown/Wicker Park neighborhood on Chicago’s Northwest Side.

In September 2004, RE/MAX City acquired the former RE/MAX Midtown office at 2045-2049 W. North Ave., creating its fifth location in the City of Chicago. At the same time, the company restructured its ownership group.

Partners **Mariusz Lata** and **Henry Sakowski**, who founded RE/MAX City in 1993, divided their business into two segments, RE/MAX City Realtors, with offices at 6900 W. Belmont Ave. and 3327 N. Harlem Ave., and RE/MAX City, which includes the newly acquired North Avenue office, as well as offices at 5316 and 2843 N. Milwaukee Ave.

### Nationwide Mortgage Staffing




**Check Our Website for:**  
**HOT**

**• CANDIDATES • OPPORTUNITIES**

[WWW.MORTGAGESTAFF.COM](http://WWW.MORTGAGESTAFF.COM)

- Direct Hire Placement
- Executive Search
- Temporary/Contract Mortgage Professionals

- Contract Underwriting
- Due Diligence Services
- Temp to Hire Mortgage Professionals

### Mortgage Quality Control



THE Q GROUP

- **OUTSOURCE** your Post Closing File Reviews to our experienced professionals. *Fast and accurate, we can save you time and money.*
- **For in-house Quality Control**, we offer **QPro**, an online QC application. *Review more files per day. Easy to use, and there's no software to buy.*

[WWW.QGROUPONLINE.COM](http://WWW.QGROUPONLINE.COM)



CONTEMPORARY SERVICES INC.

(888) 252-2190