MADISON'S TIMBER PREVIEW

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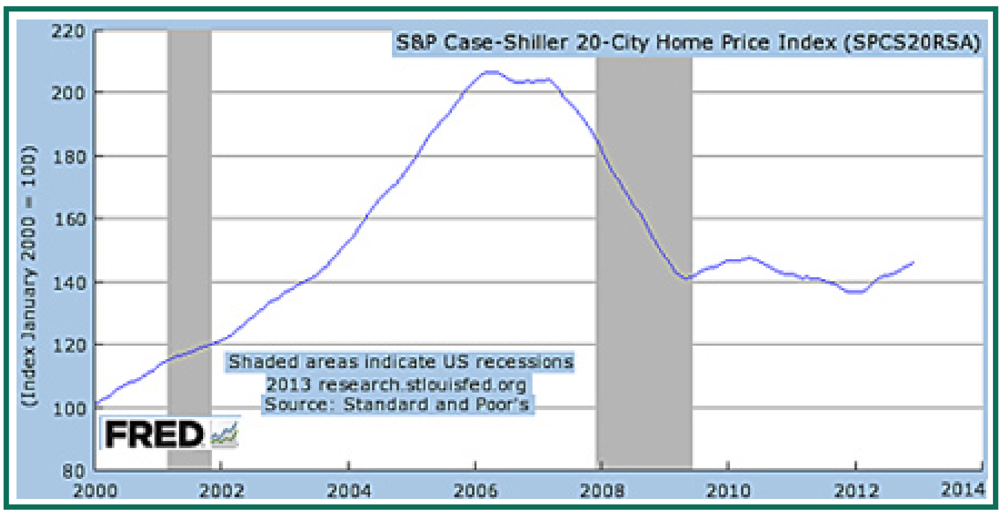
In a complete reversal to one year ago, or even six months ago, serious investment eyes have turned once again to the US home building industry. Analysts and economists were for so long looking at historical data and providing never-ending gloomy forecasts that interest in home building and investment disappeared almost completely. What a difference one waning winter makes.

Fueling the new-found curiosity, or re-found curiosity more correctly, was a report prepared by the University of Southern California's Population Dynamics Research Group for the Mortgage Bankers Association. The report found that immigrant homebuyers have bolstered the housing market across the US in the past decade and will continue to fuel demand at least through 2020. Foreign-born buyers accounted for the bulk of growth in homeownership in states with large immigrant populations and helped offset a decline of purchases by American-born buyers in other areas.



Immigrants accounted for almost 40 per cent of the growth in homeownership from 2000 to 2010, while they account for about 13 per cent of the US population.

Homeownership among immigrant households has steadily increased, reaching 2.4 million by 2010, according to the report, and the number is projected to reach 2.8 million by 2020. In the gateway states of California and New York, immigrants account for most of the increase in homeownership rates. New arrivals represented more than 82 pe rcent of the growth in homeownership in the Golden State over the last decade, and more than 65 per cent of the increase in the Empire State.

Homeownership rates rise with length of residency, according to the study. Slightly more than 15 per cent of Hispanics who arrived in the US in the 1980s were homeowners in 1990. The share rose to nearly 53 per cent by 2010, and is expected to exceed 61 per cent by 2020.

Perhaps aware of shifting demographics, both domestically and with immigration, Blackstone Group, the largest institutional investor in US housing, has expanded its credit line to buy distressed homes to US$2.1 billion, according to the Financial Times Wednesday. Deutsche Bank is leading a syndicate of US banks, including JPMorgan, Credit Suisse, Bank of America and Goldman Sachs, to increase the US$600 million in initial funding that Blackstone secured last year. Blackstone had sought to at least double this credit line.

Blackstone is one of the largest managers of private capital and provider of financial services in the world, with assets under management of over $166 billion and has spent more US$3.5 billion since the start of 2012 on buying 20,000 homes at depressed prices.

Growing demand for family homes has driven rents higher and this, combined with home valuations at about 30 per cent below their highs, has piqued the interest of institutional investors in the past year. JPMorgan Chase estimates the sector could be worth as much as US$1.5 trillion.

"The investment period is closing quickly… we're at the beginning of a long run in home price recovery," said Jon Gray, global head of real estate at Blackstone, at the Wharton Economic Summit in New York last week. "What people forget is that there are 13 million single family homes that are rented out, there just aren't any institutional owners. But the crisis created an investment opportunity."

Elsewhere, Realtor.com's February national housing data, released Thursday, indicates that listing inventories increased 1.15 per cent month-over-month, that the median age of inventory was at 98 days, a 9.26 per cent decrease month-over-month, and that the median list prices were slightly higher compared to the previous month, at US$189,900. These numbers show that home buyers are getting an early start on the spring season despite the fact that inventories recently hit record lows, the agency said.

Annual inventory decreases of 15.97 per cent are consistent with a gradual, yet persistent downward trend that has been occurring over the last two years.

However, data released Thursday showed that foreclosure filings rose in February, but were down 25 per cent from the same period in the prior year. RealtyTrac reported Thursday that foreclosure filings were reported on more than 154,000 US properties in February. US foreclosure completions were down 29 per cent.

US home prices were up 9.7 per cent in January from a year ago, according to data released Tuesday by CoreLogic. That's up from an 8.3 per cent increase in December and the biggest annual gain since April 2006.

Blackstone Group on January 31 reported record full year 2012 revenues of US$4.1 billion, up 24 per cent year-over-year, and record public company earnings of US$2 billion, up 30 per cent year-over-year. Company representatives said revenues rose due to continued industry-leading inflows and asset growth. For the full year the company reported gross organic capital inflows of US$34 billion, and returned US$18 billion to investors, resulting in record total assets under management of US$210 billion, up 26 per cent year over year.

Blackstone 4Q earnings were US$0.59 per share, beating consensus estimates by more than 25 per cent. The company declared a quarterly distribution of US$0.42 per common unit at the close of business on February 11, to be paid on February 19. For 2013, Blackstone intends to increase its base quarterly distribution to US$0.12 per unit, up 20 per cent from US$0.10 per unit, said the company's financial statement.

By market close Thursday the company shares had added 0.98 per cent and is trading at US$20.64, after rising up 1.55 per cent Wednesday from its previous close of US$20.00.

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