

June 2011 Market Update

The U.S. housing market continues its gradual and uneven progress, despite the expiration of the home buyer tax credit. The remarkable rebound in housing activities from the initial drop following the end of the home buyer tax credit this past July adds to the belief that the risk of a double-dip downturn in housing may be disappearing.

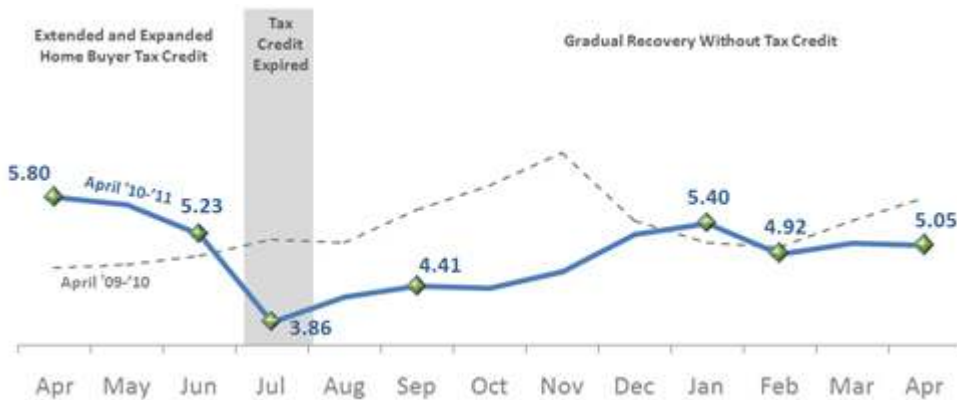
As the housing market continues to work through the excess supply overhang, a result from the glut of foreclosed properties which is keeping home prices below their long-term trend growth, economists anticipate mortgage rates at or above 6% by the end of 2012 and expect buying activity to continue its upward momentum.

Supporting this view is the rising concern about inflationary pressures sparked by political unrest in the Middle East. While surging gas and food prices could prove transitory and pose no major threats, these price increases may weigh down consumer spending, which accounts for two thirds of the economy. While, the Federal Reserve is committed to making necessary policy changes to address such risks. Meanwhile, core price gains, excluding food and fuel, were modest in April, offering some relief to consumers.

As the economy improves, stimulus efforts by the government and the Fed is expected to gradually wind down, which typically spurs rising interest rates to keep inflation in check. Meanwhile, buyers continue to benefit from historically favorable buying conditions and sellers are encouraged by increased market stability.

Home Sales *in millions*

The number of homes home sales in April were down 12.9% compared to the same time last year when the impact of the tax credit was at its peak. Sales were relatively stable compared to the previous month: less than a 1% decline. NAR Chief Economist Lawrence Yun states that "given great affordability conditions and job creation, home sales should be stronger" and cites unnecessarily tight credit for limiting sales. Gradual but uneven improvement is expected to continue. In fact, home sales have increased six of the past nine months.



Home Price *in thousands*

Home prices rebounded 2.4% in April with median home prices rising to \$163,700. This is 5% below the year-ago level and continues to keep the median price close to 2002 levels. Three out of eight homes sold during April, or 37% of sales, were distressed properties, which typically sell at a 10%–20% discount. This is down 3% from March. Investors represented 20% of sales, and all-cash buyers were 31% of sales in April, down from a record high of 35% in March. Prices and mortgage rates remain favorable for buyers for the spring selling season.



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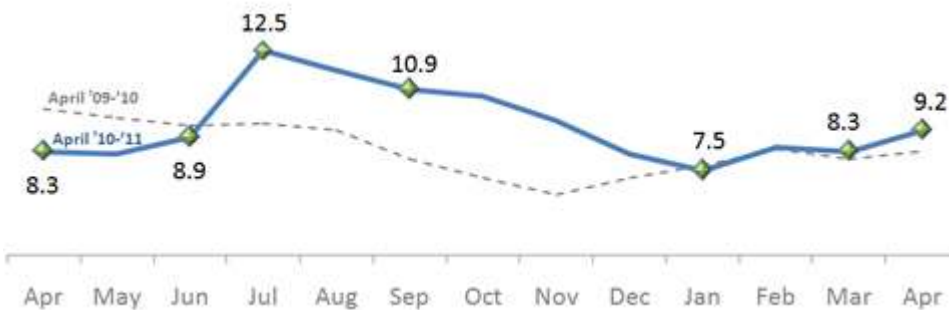
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Inventory- Month's Supply *in months*

The supply of homes measured in months on the market, if sales continue at their current pace, inched up during April compared to March. Inventory levels remained 26% below the peak of 12.5 months in July and only 11% above April of 2010 when the tax credit was in full swing.



Source: National Association of Realtors

Interest Rates

Rates have reached a new record low after steadily declining throughout May, primarily due to uncertainty in the global and domestic economies. Rates are still expected to follow an upward trend as the year progresses. As overall economic activity gets back on track, rates will likely rise to keep inflation in check. This window of opportunity for buyers to lock in these historically low interest rates may not remain open much longer.

Type	Rate
30 year fixed	4.55%
15 year fixed	3.74 %
5/1 ARM	3.41%
Historical Average	8.90%

Source: Freddie Mac

This Month's Video



Topics For Home Owners, Buyers & Sellers

Following in the footsteps of its counterpart Fannie Mae, Freddie Mac is offering a summer sales promotion for buyers who purchase a home from its inventory of foreclosures or HomeSteps properties. Since banks typically sell foreclosures “as-is” without incentives, warranties, or repairs, this incentive could help buyers view a HomePath property more like a traditional sale, and less like a distressed property, during their search process.

For offers received by July 31 that close by September 30, Freddie Mac is offering:

- 3.5% in closing costs to buyers
- \$1,200 bonus to buyer agents

This is on top of the incentives already being offered:

- A two year HomeProtect Home Warranty
- Up to 30% savings on new appliances

Note that this program comes with a few eligibility requirements, which includes the home must be a single-family, owner-occupied, financed dwelling used solely for residential purposes.

Brought to you by KW Research. For additional graphs and details, please see the This Month in Real Estate PowerPoint Report.

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