



This Month in Real Estate July 2010

Commentary



The U.S. housing market continues to benefit from the tax credit: home prices and sales remain above year-ago levels. As the summer progresses, however, the positive impact of government stimulus will wind down. Experts point to improved stability as a sign the market can likely hold its ground without further support from the government. However, economists indicate that the key for the housing market through the end of 2010 will be job growth and a manageable level of distressed properties.

The economy continues its journey to recovery with two steps forward and one step back, but the ground lost during the recession was great and the progress so far should be celebrated. The road to this particular recovery has been expected to be more prolonged than many previous recovery periods. Consumer confidence lowered from its high in May primarily due to a disappointing employment report, while the swelling federal deficit has also raised concern. Unmanageable debt levels have lead some European countries into their current situation, and Americans do not want to follow suit.

A job bill that would have further extended unemployment benefits has not gotten off the ground due to concerns over the deficit. Sited as a top priority for the government, a financial overhaul bill continues to proceed though Congress. The bill's goal is to protect the financial system and the average consumer from unnecessary risk and unsound lending practices in an effort to build a stronger system for the long-term stability of the U.S. economy.

The Housing Market

Existing Home Sales

Existing home sales slowed slightly in May to 5.66 million, down 2.2% from April but up 19.2% from last May. This is the eleventh consecutive month of year-over-year increase. Lawrence Yun, NAR chief economist, attributes this to the "ongoing effects of the home buyer tax credit," and he anticipates the same next month. In May, 46% of sales were from first-time buyers, down slightly from the previous month's 49% but still considered high.



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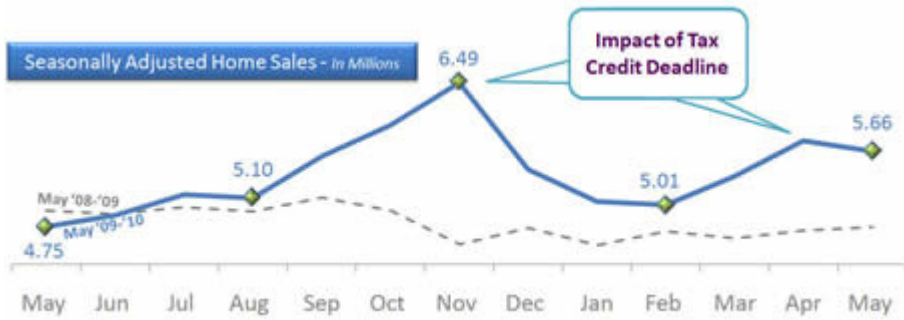
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Don't forget to check out this month's video:



Newsletter Contents

1. Commentary
2. The Housing Market
3. Government Action
4. Topics for Buyers and Sellers



Median Home Price

The median price for an existing home was \$179,600 in May, up 2.8% from a year ago and 4.2% from April. Distressed homes, accounting for 31% of last month's sales, continued skewing prices downward slightly as they are usually discounted from comparable homes. Overall, prices this past year continued to show increased stability over the previous year. Vicki Cox Golder, president of NAR states, "With distressed sales at roughly the same level as a year ago, the gain in home prices is a hopeful sign that the market is in a good position to stand on its own without further government stimulus."



Inventory

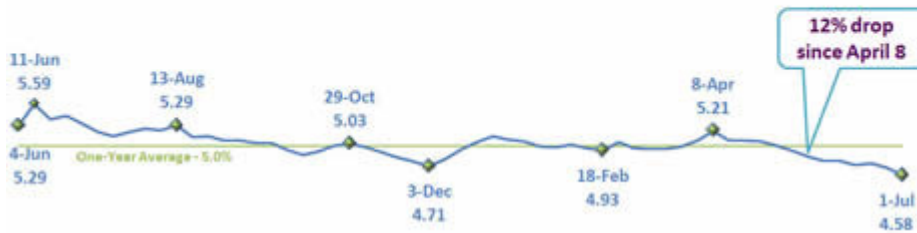
Total housing inventory declined slightly to 4.89 million in May, representing between eight and eight-and-a-half month supply of sales (if homes continue to sell at the current pace consistently and no new ones come on the market). There are about the same number of homes for sale as last year, with 1% more currently available. Although there continues to be a nice selection of available homes for buyers, the 3.4% fewer number from last month helps to further stabilize prices.

Mortgage Rates

Mortgage rates fell to a new record low in June amid a drop in consumer confidence concerning the recovery. The tone of the Federal Reserve's latest meeting was notably tempered on the outlook for recovery, indicating that the economy is stronger than last year but there is still much ground to cover. Interest rates significantly below 5% may pique the interest of more investors.

Thirty-Year Average – 8.9%

Average Weekly Mortgage Rates



Affordability

Affordability remains advantageous, supported by the lowest mortgage rates in decades as well as lowered home prices. The home price-to-income ratio continues to remain well below the historical average of 25%, but stabilized home prices are drawing affordability back up toward more normal levels. The ratio now stands at 15.4%.

Sources: National Association of Realtors, Freddie Mac

Government Action

Tax Credit's Closing Deadline Extended



Home buyers who signed a contract before the end of April will now have three additional months to close and still be eligible for the homebuyer tax credit. A bill to extend the deadline to September 30 obtained congressional approval on June 30, the evening it was set to expire.

Many of these buyers are purchasing short sales which have notably slower contract-to-close time frames. A KW Research study found short sales often take twice as long to close as typical home sales.

While this does not extend the credit to any additional buyers, it is great news for those 180,000 who have not yet closed on their home sale through no fault of their own.

Source: WSJ.com

Topics For Buyers & Sellers

Real Estate Investing

The increased affordability and low interest rates may have some thinking about purchasing real estate investment properties. Here are a few key points on investing from *The Millionaire Real Estate Investor*:



- **Criteria:** Criteria are the standards that define what kind of property you are

looking for. These are the things that you list when you are hunting for the next opportunity to invest in: Is it a single family or multi-family opportunity? What features or amenities does it have? What is the location? These are aspects of the property that can't be negotiated.

- **Terms:** This is how you turn your opportunity into a good deal. Once the property meets your criteria, terms are the negotiable aspects of your investment, such as the offer price, the down payment, interest rates, occupancy date, and closing costs. Terms are where a great deal can be created from even the most modest criteria. They mean understanding the financial basics of a transaction, knowing which elements are flexible, being systematic about getting all you can from every deal, and also, for some, knowing when to walk away.

There are some great terms right now with record-low interest rates and discounted distressed properties. Keep in mind that the lending for investment properties has additional requirements – like cash reserves and total property limits. Let me know if you like more information.

- **Network:** the people who help you find, complete, and support your real estate investments.

By the wayIf you know someone who is in the market to purchase or sell a home, please let me know their name and information. My team will be happy to contact them & provide them our excellent service. Thank you very much.