THIS MONTH IN

REAL ESTATE

U.S.

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KW Research

Commentary

Gradual and uneven progress in the housing market continues without government support. The market has shown remarkable improvement from the initial drop after the expiration of the home buyer tax credit this past July. Although higher-than-normal distressed sales skew the overall picture of home prices downward, inventory remains at pretax credit expiration levels. The rock-bottom interest rates of 2010 are likely to trend upward. As economists anticipate rates at or above 6% by the end of 2012, buyers are moving off the sidelines and into the market.

Recent reports suggest the economy is picking up steam even though it is not yet fully reflected in the job market. In terms of economic growth, America outpaces all the other G7 nations except Canada. However, when it comes to adding back jobs, America is the weakest. During the recession, businesses looked for ways to increase efficiency and productivity. U.S. productivity, or output per worker, doubled in both of the past two years. A full housing recovery depends on growing employment. Without jobs, most Americans cannot buy new homes or afford their current ones. As the economy continues to pick up steam, employment will likely follow suit as there is a limited amount of productivity workers can provide.

While the economy improves, stimulus efforts by the government and the Federal Reserve Board will gradually wind down, which typically spurs rising interest rates. Meanwhile, buyers continue to benefit from historically favorable buying conditions and sellers are encouraged by increased market stability.

The Numbers That Drive Real Estate

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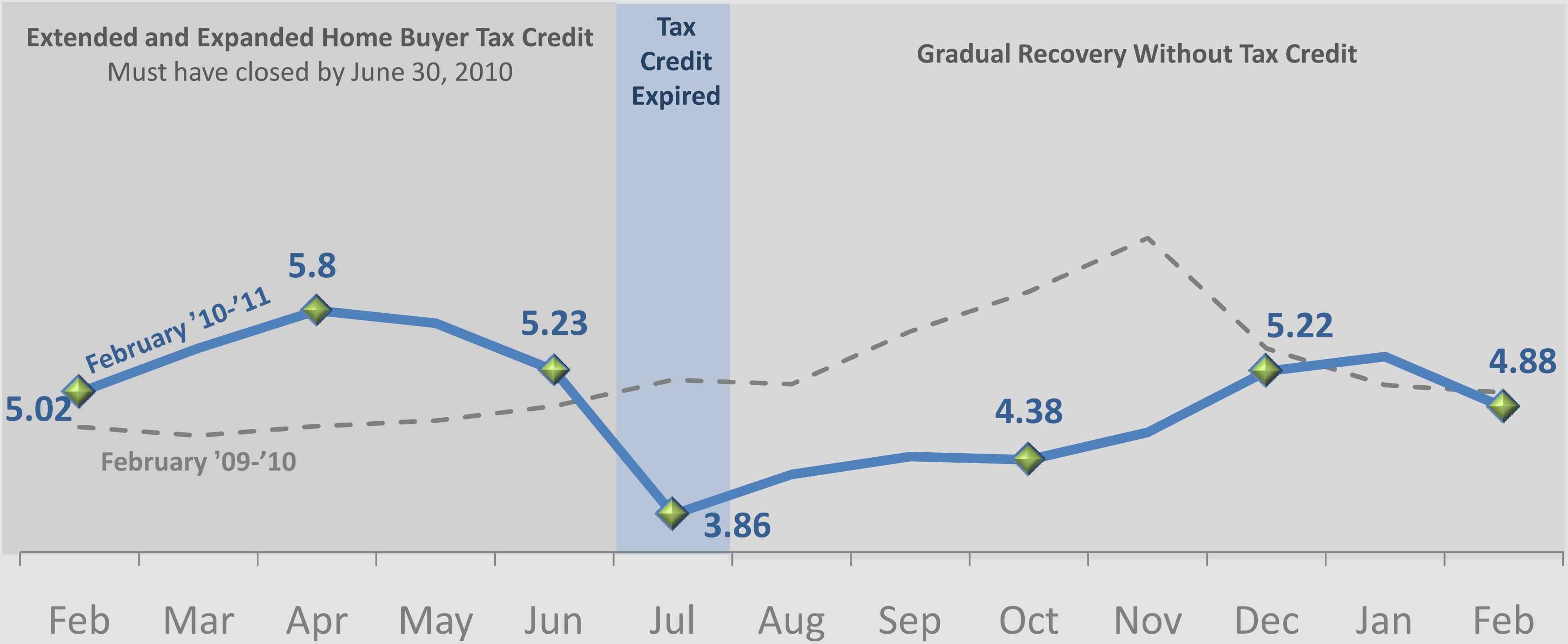
Home Sales

In Millions

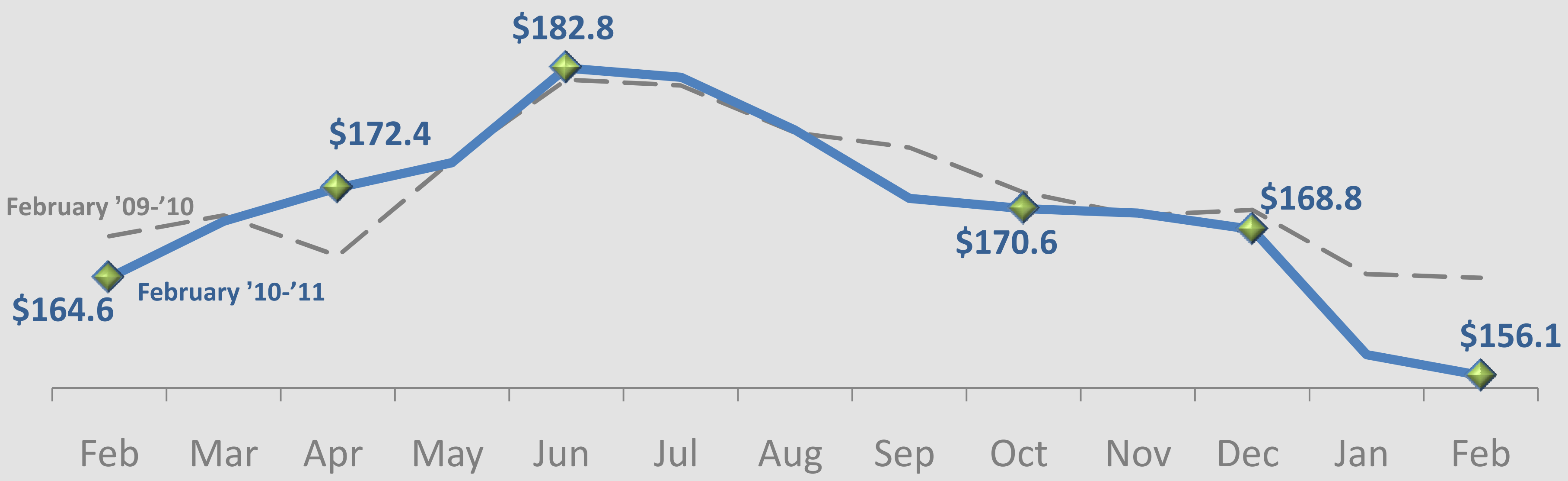
Although home sales have fallen 9.6% compared to the previous month, they remain close to last year's levels, showing only a 2.8% decline. The unseasonably cold weather across much of the country during late January and February could have kept buyers indoors more so than normal. Gradual improvement with bumps along the way has long been the anticipated road to full recovery. In fact, home sales remain 26.4% above the low last July. As Lawrence Yun, chief economist of the National Association of Realtors, explains "month-to-month movements can be instructive, but in this uneven recovery, it's important to look at the long-term performance."



Home Price

In Thousands

Home prices continued to soften in January with median home prices decreasing to $156,100. This is 5.2% below the year-ago level and brings the median price close to February 2002 levels. Two out of every five homes sold during February, or 40% of sales, were distressed properties. Distressed sales often sell for 10%–20% less than traditional home sales. The decline in home prices is less reflective of the value of individual homes and more reflective of the bargains that a record level of all cash buyers and investors are snapping up. Prices and mortgage rates remain favorable for buyers as the spring selling season starts.



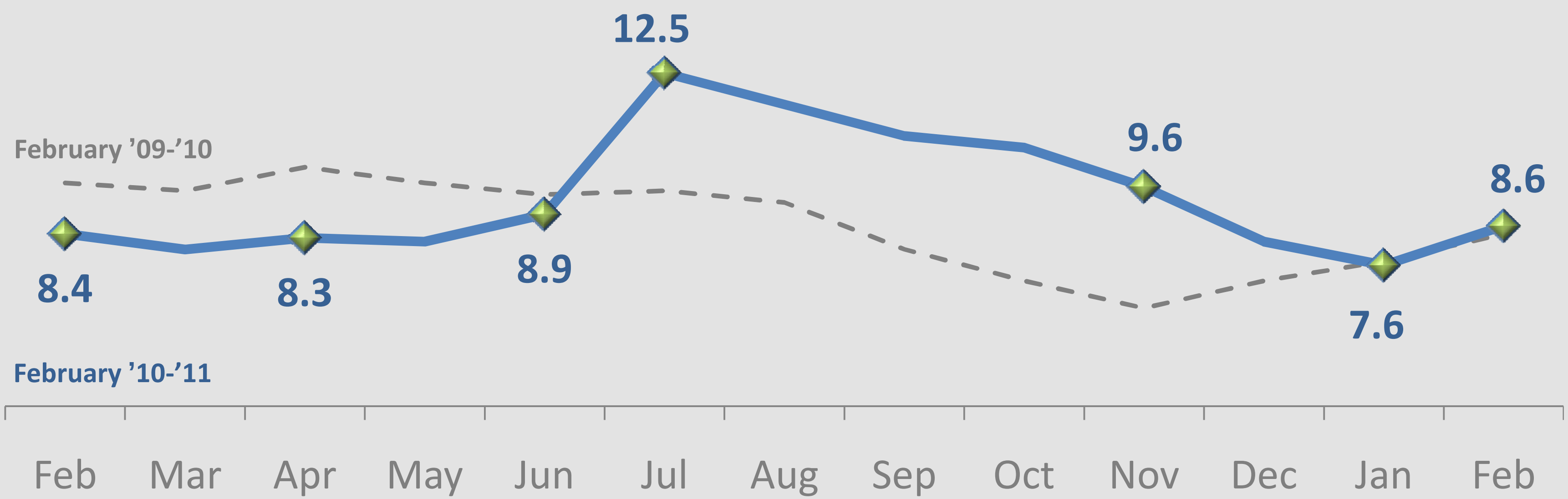
Latest Data Release: March 21, 2011

Source: National Association of Realtors

Supply of Inventory

In Months

The slowing of home sales and an increase in listings pushed the months’ supply up to 8.6 months, an increase of 15% from the previous month and 2% year over year. This is the third-lowest level since June. Months of inventory remains 31% below its peak of 12.5 months in July and is now back to pretax credit expiration levels. With the summer selling season approaching quickly, experts anticipate more homes to go on the market in the coming months.



Latest Data Release: March 21, 2011

Source: National Association of Realtors

Mortgage Rates

30-Year Fixed

Throughout the month, rates hovered in the 4.8%–4.9% range. After rising above 5% for the first time in about ten months in early February, rates have come back below but are expected to follow an upward trend throughout the year. As overall economic recovery remains on track, rates will likely rise to keep inflation in check. Buyers wanting to capture the savings in monthly payments that a historically low interest rate affords are expected to take advantage of excellent buying conditions.

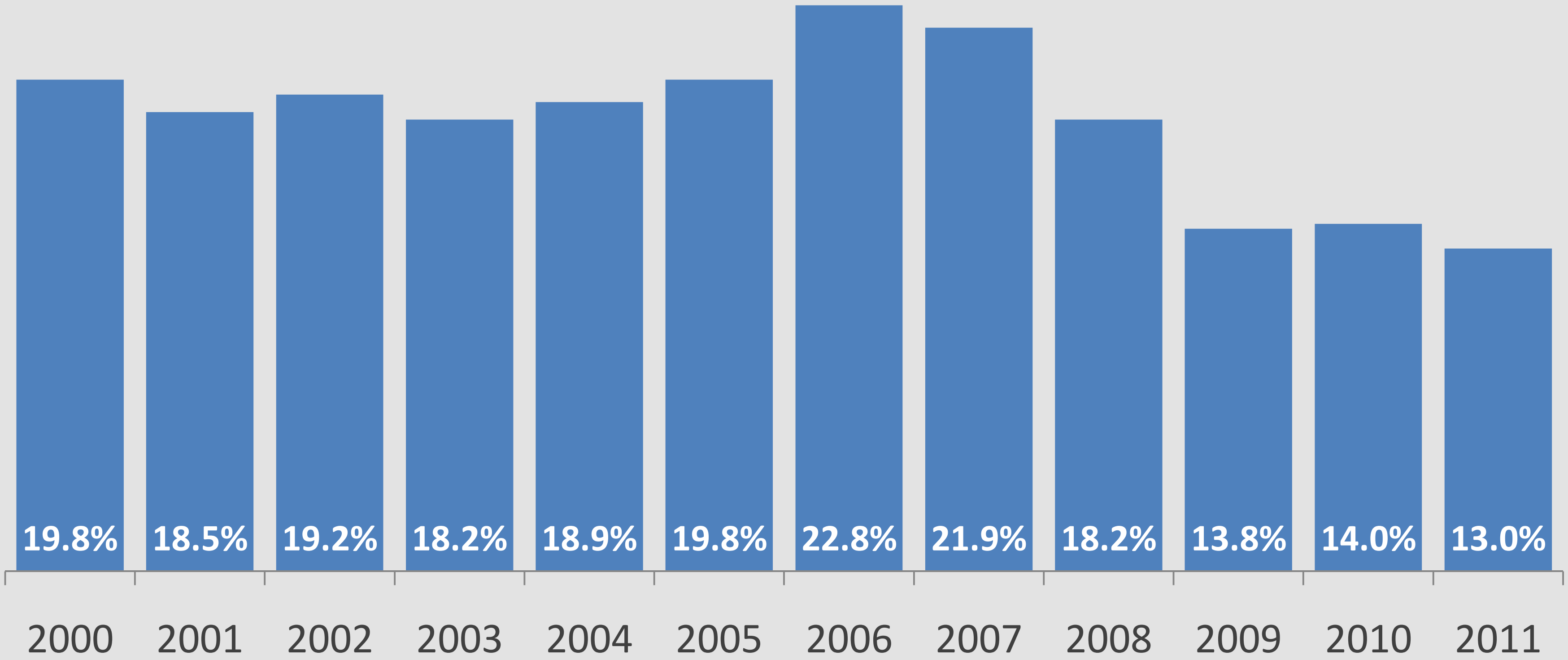
Type	Rate
30-Year Fixed	4.86%
15-Year Fixed	4.09%
5/1 ARM	3.70%
Historical Average	8.90%

Source: Freddie Mac

Affordability - *Percentage of Income*

The percentage of a median family's income required to make mortgage payments on a median-priced home

Housing affordability continued at record levels in February. The relationship between mortgage rates, home prices, and family income is the most favorable on record for buying. The home price-to-income ratio continues to remain well below the historical standard. Stabilizing home prices and rising interest rates are expected to reverse the recent affordability trend.



Affordability as of February every year. Calculations assume a 20% down payment.

Source: National Association of Realtors

Recent Government Action

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Summit-Level Solutions to Foreclosure Uncertainties

Five of the nation's largest banks met in late March along with state and federal officials to discuss a settlement that aims to correct questionable practices in the mortgage industry. Reaching an agreement could resolve foreclosure procedure problems sparked during the robo-signing scandal. While most of the meeting focused on servicing standards, the hot topics of debate included reducing loan balances, broad-based write-downs, and the extent to which legal claims will be dispelled.

The Obama administration is encouraging a quick settlement in order to prevent additional delays to the housing market recovery. Their concern, according to RealtyTrac, Inc., is that "foreclosure filings have decreased immensely in the past six months to the lowest level in three years in February." James Dimon, chief executive of JPMorgan Chase & Co, concurred, stating that, "Any settlement should produce rational policies that work for the American public. That's what we need."

While tangible results have yet to be seen, the good news for homeowners, buyers, and sellers is that all parties involved are taking steps in the right direction. Their focus is on a solid resolution to the technical issues that are creating a bottleneck in the disposition of foreclosures — a prerequisite to the recovery of the housing market.

Source: *The Wall Street Journal*

Topics for Home Buyers, Sellers, and Owners

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Deciding to Buy

When first-time home buyers decide they are ready to buy, it is essential for them to begin the process by carefully assessing their values, wants, and needs—both for the short and for the long term. This is a critical step since consultation sessions normally start with the buyers' values. Afterward, buyers can explore their wants and needs, and once defined, determine actual criteria.

A recent study shows how important the following home-buying factors were to buyers:

1. List Price: 72%
2. Location: 69%
3. Neighborhood: 55%
4. Floor Plan: 37%
5. Square Footage: 28%
6. Schools: 22%

By having the home-buying criteria in mind before walking into a consultation, buyers are off to a better start when meeting with their real estate agent. The consultation allows buyers to fill in any missing gaps within their values, wants, and needs.

Your Local Market

Although it is important to stay informed about what is going on in the national economy and housing market, many different factors impact the real estate market in your own area.

Talk to your KW associate for assistance interpreting the conditions in your local market.

KW associates are equipped with the knowledge and information to help you navigate the home-buying or selling process in this challenging market.

About Keller Williams Realty

Founded in 1983, Keller Williams Realty, Inc., is an international real estate company with more than 80,000 associates and 686 offices across the United States and Canada. The company began franchising in 1991 and, after years of phenomenal growth and success, became the third-largest U.S. residential real estate firm in 2009.

The company has succeeded by treating its associates as partners and sharing its knowledge, policy control, and company profits on a systemwide basis.

By focusing on helping associates realize their fullest potential, Keller Williams Realty is known as an industry leader for its family culture, unmatched education, profit-sharing business model, phenomenal coaching programs, and technology offerings.

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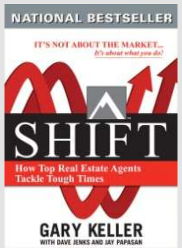

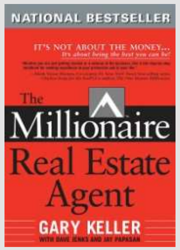

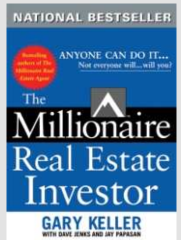

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