



THIS MONTH IN REAL ESTATE

U.S.

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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 and all-cash sales continue to skew the overall picture of home prices downward, inventory remains at pretax credit expiration levels. As economists anticipate rates at or above 6% by the end of 2012, buying activity is expected to continue its upward momentum.

Increasing signs of inflation have been a recent item of concern. Driven by unrest in the Middle East, the retail price of gas has risen by 25% since the year began and 89% from this time two years ago. In his first ever press conference, Federal Reserve Chairman Ben Bernanke noted the Fed believes these price increases are transitory and will not have a major impact on the U.S. economy. However, according to NAR's chief economist, for each \$10 per barrel rise in oil prices, \$80 billion is removed from the economy.

Bernanke stated that the Fed will keep a close eye on the impact of oil prices on the economy as it considers policy changes. Although inflation is up for the first quarter, price gains excluding food and fuel slowed in March, helping consumers to feel less constricted.

As the economy improves, stimulus efforts by the government and the Federal Reserve Board will 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.



The Numbers That Drive Real Estate

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Home Sales

In Millions

Home sales were up 3.7% in March compared to the previous month but were down 6.3% compared to the same time last year when the impact of the tax credit was nearing its peak. Gradual but uneven improvement is expected to continue. In fact, home sales have increased six of the past eight months. The general trend of improvement remains a positive signal, as home sales remain up 32% since the low in July and are down only 12% since the peak last April, which was induced by the tax credit deadline of a signed contract by the end of that month.

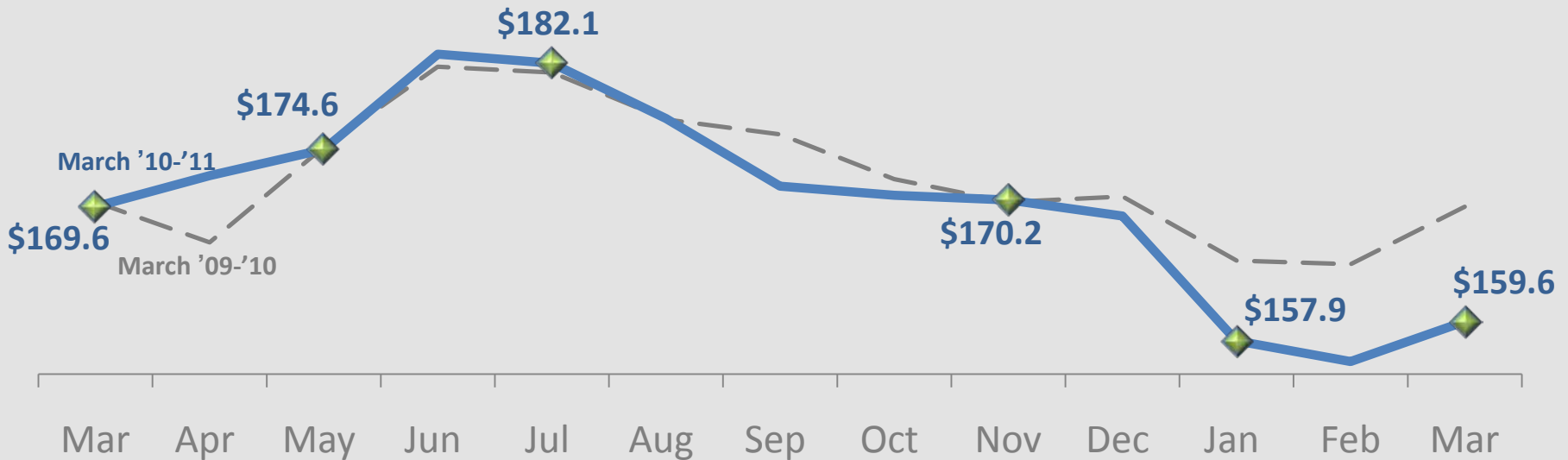


Home Price

In Thousands



Home prices rebounded 2.2% in March with median home prices rising to \$159,600. This is 5.9% below the year-ago level and keeps the median price close to 2002 levels. Continuing February's trend, two out of every five homes sold during March, or 40% of sales, were distressed properties, which typically sell at a 10%-20% discount. The decline in home prices is less indicative of individual home values and more reflective of a large number of less expensive homes selling and bargains that are getting snapped up. Investors represented 22% of sales, and all-cash buyers were at a record high of 35% of sales in March. Prices and mortgage rates remain favorable for buyers for the spring selling season.

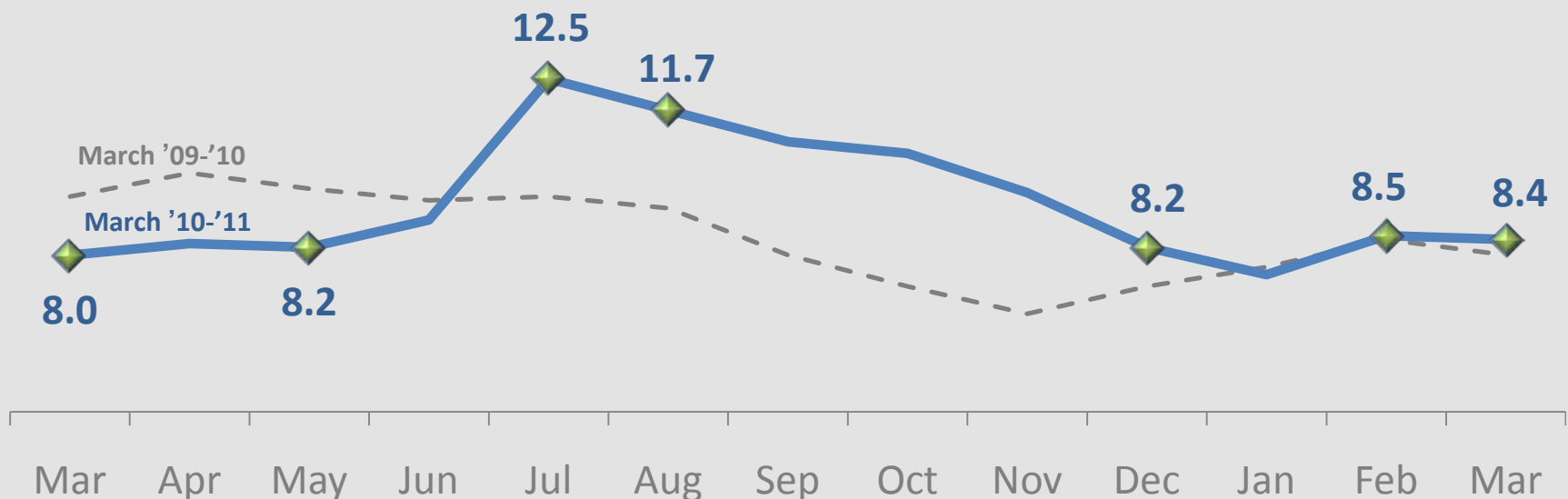


Supply of Inventory

In Months



The supply of homes measured in months on the market, if sales continue at their current pace, remained stable compared to the previous month. This is the third-lowest level since June. Inventory levels remain 33% below its peak of 12.5 months in July and only slightly above where it was last year when the tax credit was in full swing.



Mortgage Rates

30-Year Fixed



After rising above 5% for the first time in ten months in early February, rates have remained stable in the 4.8% range. They are still 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 move quickly to take advantage of excellent buying conditions.

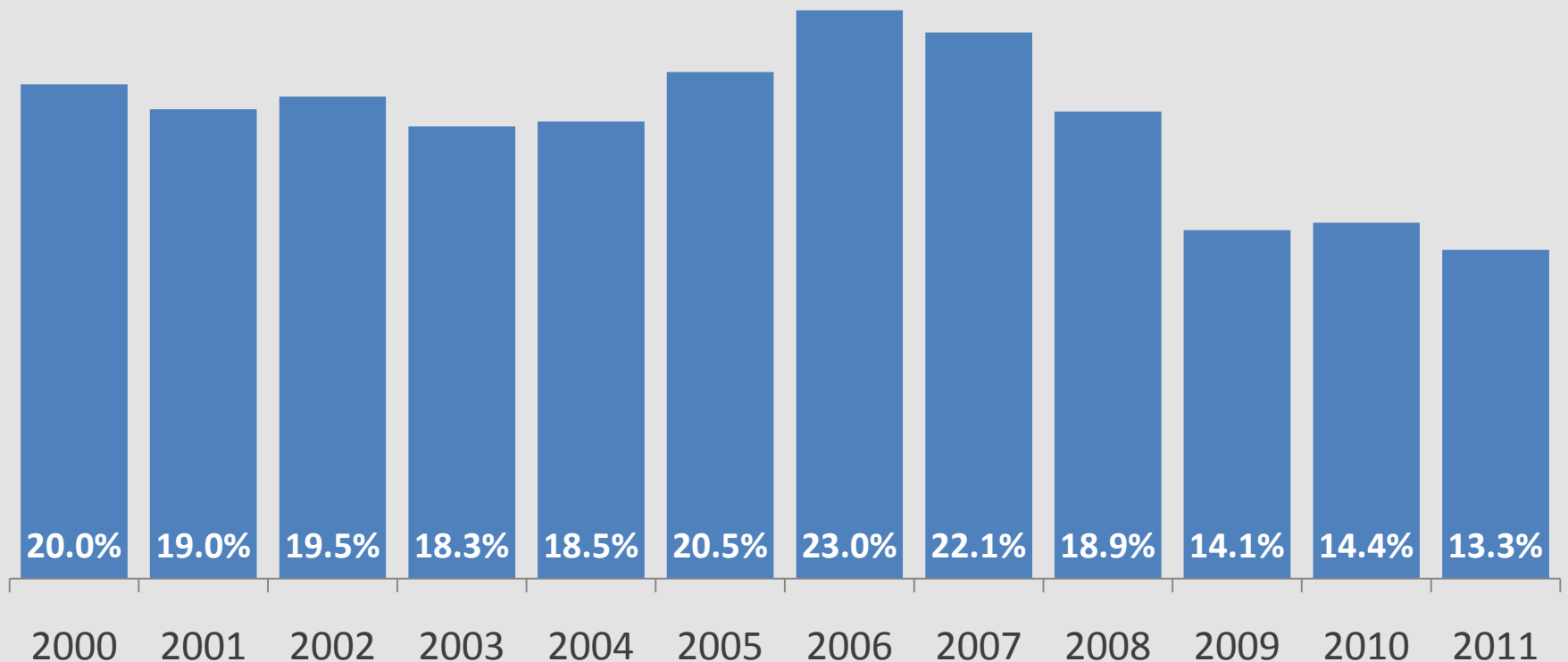
Type	Rate
30-Year Fixed	4.80%
15-Year Fixed	4.02%
5/1 ARM	3.61%
Historical Average	8.90%



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 March. 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 March every year. Calculations assume a 20% down payment.

Source: National Association of Realtors



Recent Government Action

Incentives to Purchase Fannie Mae Foreclosures

In order to encourage buyers to consider purchasing their foreclosures, Fannie Mae is offering up to 3.5% in closing cost assistance on Fannie Mae-owned HomePath properties.

This is the second time in the past year Fannie Mae has offered assistance to buyers who purchase a home from their sizable HomePath inventory. 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.

Buyers should be sure to take a second look at Fannie Mae’s HomePath properties before settling on “the one.”

Fannie Mae’s executive vice president of Credit Portfolio Management, Terry Edwards, says, “Since interest rates remain low, the incentive will go a long way toward helping even more families buy a new home. So this a great time for Fannie Mae to offer some assistance.”



Topics for Home Buyers, Sellers, and Owners

Staging

Staging is an increasingly important component, not only in selling a home but also in attracting would-be buyers. Even with all of the commonly accepted advantages of staging, only about 1 in 3 sellers stage their home.

The Internet is one of the main sources of information buyers use during the home search process, and staging is key to showing the home at its best online.

Rooms that sellers stage most often:

1. Living Room: 73%
2. Kitchen: 64%
3. Master Bedroom: 58%
4. Dining Room: 49%
5. Master Bath: 45%
6. All Rooms: 37%
7. Office: 16%

The average increase in list-to-sell in staged homes: 1.07%

The average cost of staging: \$250

Potential benefit based on a \$200,000 home:

\$3,150

The cost of staging is minimal compared to the benefits: more showings and ultimately a higher percentage of asking price.

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 your real estate market.

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

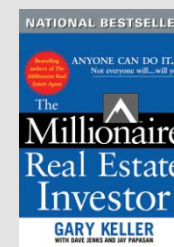
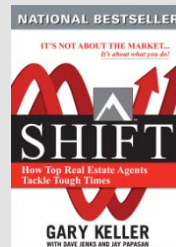


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The company has succeeded by treating its associates as partners and sharing its knowledge, policy control, and company profits on a systemwide basis.

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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