



This Month in Real Estate

**Released:
October 2011**

Commentary	2
The Numbers That Drive Real Estate	3
This Month in Washington	8
Topics for Home Buyers, Sellers, and Owners	11

Brought to you by:
KW Research

Commentary

Despite some pessimism pertaining to the global and domestic economies, the U.S. housing sector continues to show promising signs of stability and growth. Low levels of new home construction and gaining sales volume fueled by an inventory of affordable housing since Richard Nixon was president have reduced the number of homes on the market. This means home prices may begin to appreciate again.

While there are many factors that can be barriers to buying a home, such as the tightening of mortgage lending rules by banks, consumer confidence in the job market is among one of the top obstacles to home ownership. In the 2011 Housing Pulse Survey conducted by the National Association of Realtors, 80% of respondents cited job security as their primary concern when deciding to buy.

For only the fourth time since the beginning of 2010, home sales in August were up both year-over-year and month-over-month, posting an 18.6% gain from last year, with first-time home buyers accounting for nearly a third of all homes purchased. These indications of strength in the housing market may help to add to consumer confidence, which is an integral part of sustained growth. Even though there is still a long road to recovery ahead of us, there are opportunities to be had for both home buyers and sellers.



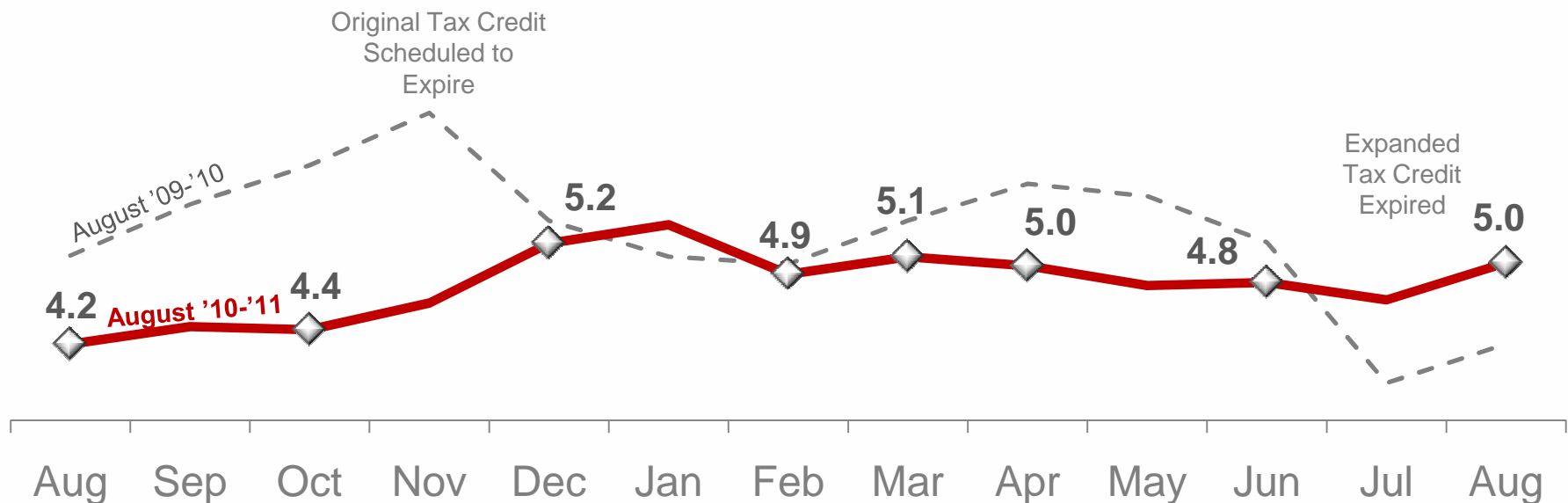
The Numbers That Drive Real Estate

Home Sales	4
Home Price	5
Supply of Inventory	6
Mortgage Rates	7

Home Sales

In Millions

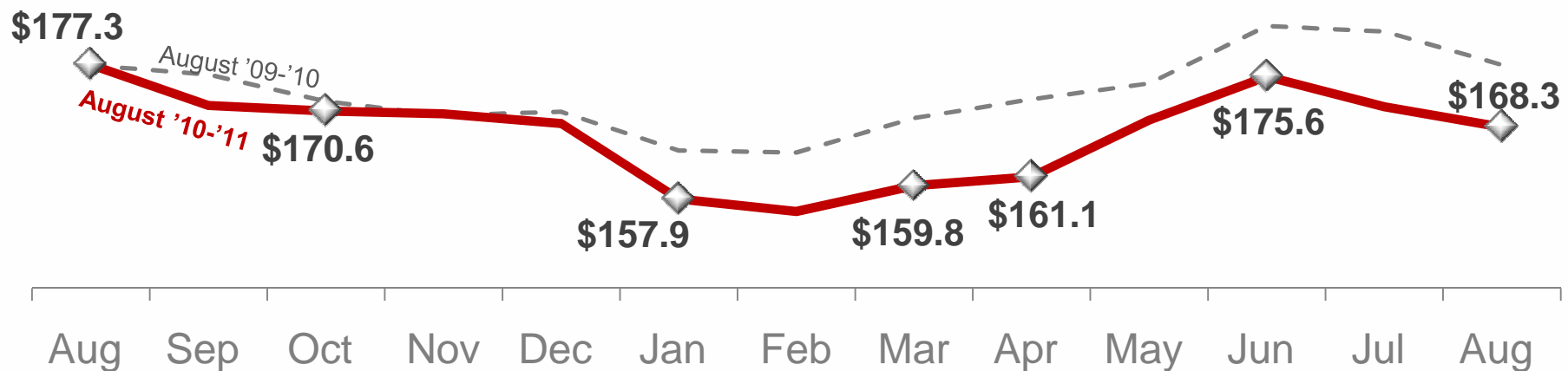
August home sales were up 18.6% year-to-year, posting a 7.7% increase in sales activity over July despite Hurricane Irene, which struck the Eastern seaboard and New England regions at the end of the month. As a result of the hurricane, the Northeast experienced the smallest increase in sales. At the same time, persisting restrictions among banks affecting home lending are having the greatest constraint on sales levels. NAR Chief Economist Lawrence Yun stated, "The market can easily move into a healthy expansion if mortgage underwriting standards return to normalcy."



Home Price

In Thousands

Homes prices were down, with a 5.1% drop in August compared to a year ago. The national median price for homes in August was \$168,300, with distressed properties, foreclosures, and short sales still accounting for 31% of sales. The buyer's market for residential property continues, as favorable prices, and record low interest rates offer the most affordable conditions for purchasing a home in the last 40 years.



Latest Data Release: September 21, 2011

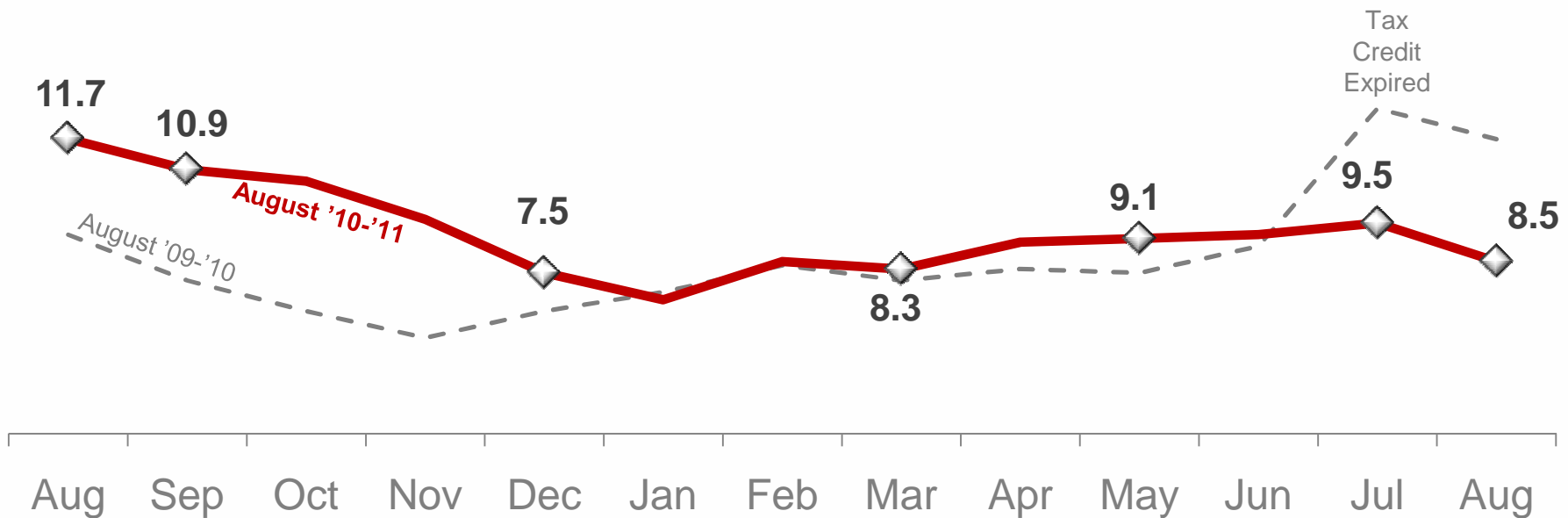
Source: National Association of Realtors

KW Research 5

Supply of Inventory

In Months

The supply of homes measured in months on the market at their current pace of sales fell 10.5% in the month of August, to an 8.5 month supply of inventory, down from a 9.5-month supply in July. With homes being more affordable than they have been in a generation and the lowest levels of new home construction since World War II, this inventory is projected to continue to fall, which will eventually result in the appreciation of home prices and a move toward a balanced market.



Mortgage Rates

30-Year Fixed

Home ownership became even more affordable, with the average rate for 30-year fixed mortgages falling to 4.01% the last week in September. This drop came as a result of the Federal Reserve extending the average maturity of its holdings as a part of the Maturity Extension Program, an effort designed to put downward pressure on interest rates and yields on treasury bonds in order to stimulate the economy. It is hoped that this action will encourage banks to loosen lending conditions, as it becomes more attractive to loan money to home buyers, rather than invest in treasury bonds.

Type	Rate
30-Year Fixed	4.01%
15-Year Fixed	3.28%
5/1 ARM	2.83%
Historical Average	8.90%



This Month in Washington

Brought to you by:
KW Research

This Month in Washington

Congressional Loan Limit Guarantees Set to Fall

On October 1 the loan amounts that can be guaranteed by the agencies Freddie Mac, Fannie Mae, and the Federal Housing Administration dropped in higher-priced markets from \$729,750 to \$625,000, or a -14.35% reduction. While \$625,000 is far above the national median price of \$168,300, affecting only 1.3% of loans, this reduction can have an impact on the overall prices of homes by creating even tighter mortgage lending standards and cause some sellers to reduce their asking prices.

Source: [*The Wall Street Journal*](#)

Senate Subcommittee Brainstorms Foreclosure Solutions

On Tuesday, September 20, a Senate subcommittee met to discuss the foreclosures that still plague the balance sheets of banks, the federal government and other agencies. Of the total 54.9 million residential real estate loans that exist, 4.5 million are non-performing, with another 10.4 million borrowers who are likely to default. The subcommittee listened to the opinions of many industry experts, who urged the policymakers to be conscious of these borrowers and to find ways to increase available funds to potential buyers and investors who could absorb some of these properties.

This meeting comes on the heels of several attempts to stem the tide of foreclosures which includes the Homeowner Affordability and Stability Plan enacted in 2009, a \$79 billion effort to help 7–9 million families avoid foreclosure by refinancing or restructuring their loans.

Source: [*The Wall Street Journal*](#)

This Month in Washington

2.3 Million Refinance Candidates Denied

Policymakers for the past two years have been encouraging homeowners to refinance their homes and take advantage of record-low interest rates; however, their efforts are continually frustrated by today's tough lending standards. A study released by the Federal Reserve found that out of 6.8 million applicants to refinance their mortgages, 2.3 million were denied due to current lending standards and the decline in the value of their home. The study also revealed that many of these candidates would have qualified for a refinance prior to the housing bubble burst, which as of the end of June has left 10.9 million borrowers, or 23% of mortgage holders, owing more on their house than it is worth.

Despite banks' continuing reluctance to relax lending requirements, in some cases it may still make sense to sell a home for a small loss rather than refinance. With record-low interest rates, which dropped again in September to 4.01%, the savings realized from a low interest 30-year fixed mortgage on a new home may eclipse any loss incurred in selling the current one.

Sources: [The Wall Street Journal](#), [National Association of Realtors](#)



Topics for Home Buyers, Sellers, and Owners

Brought to you by:
KW Research

Distressed Properties and What They Mean to You

Since affordable pricing tops the list of motivation and criteria for buying, it is no surprise that many first-time home buyers purchase distressed properties, which can be up to 30% below market value. Cost-conscious buyers are the most interested in distressed properties, but it is important for them to take into consideration the additional costs and expenses related to damage or neglect that occurred during the foreclosure process. On average, distressed property prices for first-time home buyers are \$185,971 with a median of \$153,000.

Another consideration for buyers is the transaction time. Short sales and foreclosures typically take considerably longer to close because buyers deal with institutions rather than individual sellers. Yet buyers who are patient can benefit by paying less

As a seller, it is important to understand the current real estate market, and a real estate agent is there to guide sellers every step of the way. Agents can help sellers understand what the level of distressed sales and competition look like in their area. This way, they will be able to price their home right and will more than likely be able to attract attention from potential home buyers.

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.



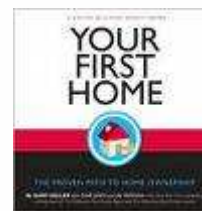
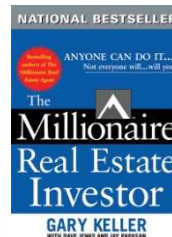
KW associates are equipped with the knowledge and information to help you navigate the home-buying or selling process in this challenging market.

About Keller Williams Realty



Keller Williams Realty Inc. is the second-largest real estate franchise operation in the United States, with 700 offices and more than 80,000 associates in the United States and Canada. The company has grown exponentially since the opening of the first Keller Williams Realty office in 1983, and continues to cultivate its agent-centric culture that emphasizes access to leading-edge education and promotes an economic model that rewards associates as stakeholders. The company also provides specialized agents in luxury homes and commercial real estate properties. For more information, or to search for homes for sale visit Keller Williams Realty online at

www.kw.com



The opinions expressed in This Month in Real Estate are intended to supplement opinions on real estate expressed by local and national media, local real estate agents, and other expert sources. You should not treat any opinion expressed in This Month in Real Estate as a specific inducement to make a particular investment or follow a particular strategy, but only as an expression of opinion. Keller Williams Realty, Inc., does not guarantee and is not responsible for the accuracy or completeness of information, and provides said information without warranties of any kind. All information presented herein is intended and should be used for educational purposes only. Nothing herein should be construed as investment advice. You should always conduct your own research and due diligence and obtain professional advice before making any investment decision. All investments involve some degree of risk. Keller Williams Realty, Inc., will not be liable for any loss or damage caused by your reliance on information contained in This Month in Real Estate.