This Month in Real Estate

KELLER WILLIAMS REALTY

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KW Research

Commentary

The U.S. housing market has shown increased stability in home sales during 2011 compared to the previous year. The trend has been an upward one since the expiration of the tax credit last summer. Home prices have softened, particularly earlier this year, due to a higher-than-normal number of distressed sales. However, both the percentage of distressed sales and the amount of time they spend on the market has decreased in recent months, a positive sign for the market moving forward. In fact, prices have steadily followed a positive monthly trend since February. Mortgage defaults have also declined lately.

While interest rates continue to break new record lows, the number of buyers who are able take advantage of these savings is restricted by tougher underwriting standards for mortgages. 40% of the banks surveyed by the Office of the Comptroller of the Currency tightened lending standards for mortgages within the past year. In his second press conference, Federal Reserve Chairman Ben Bernanke stated that a quicker foreclosure process and additional home price stabilization are key to boosting confidence in the market and bolstering a more robust recovery in the housing sector.

As the economy improves, stimulus efforts by the government and the Fed will most likely continue to wind down, which typically spurs rising interest rates to keep inflation in check. Although inflation has been the source of recent concern, the Fed appears confident it will remain in check for the near term. 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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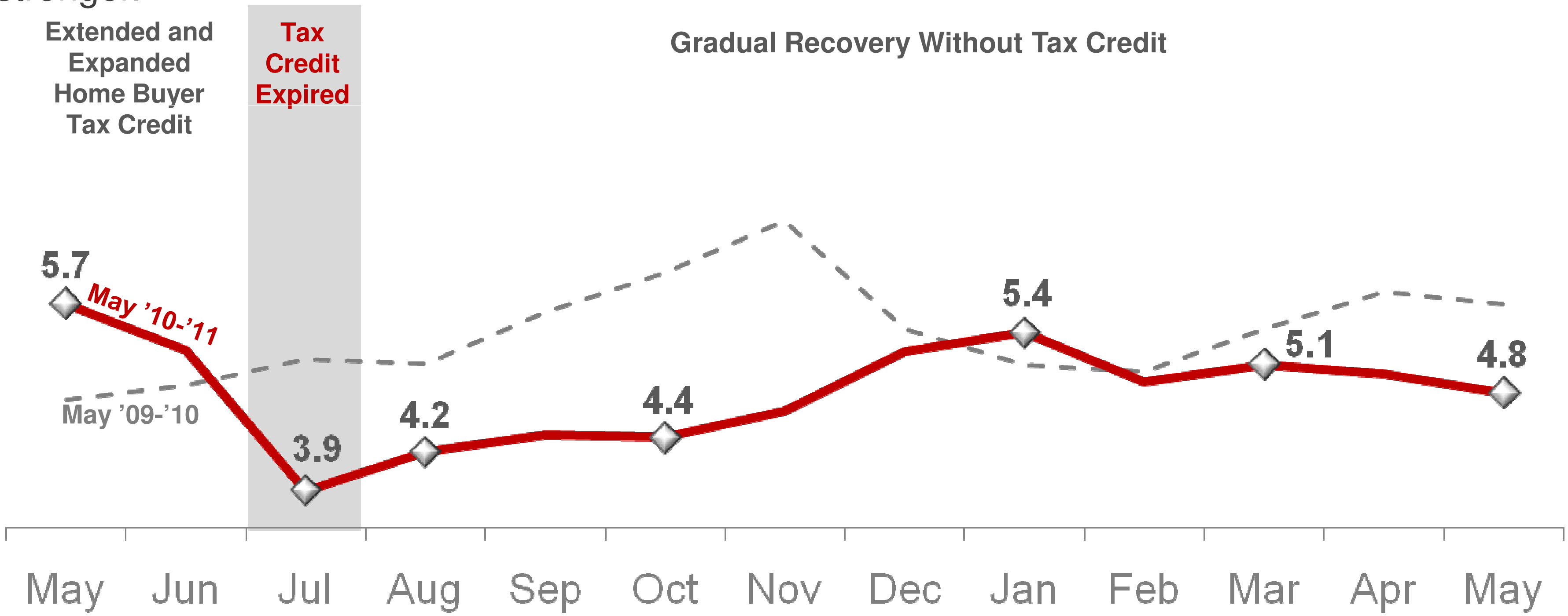
Home Sales

In Millions

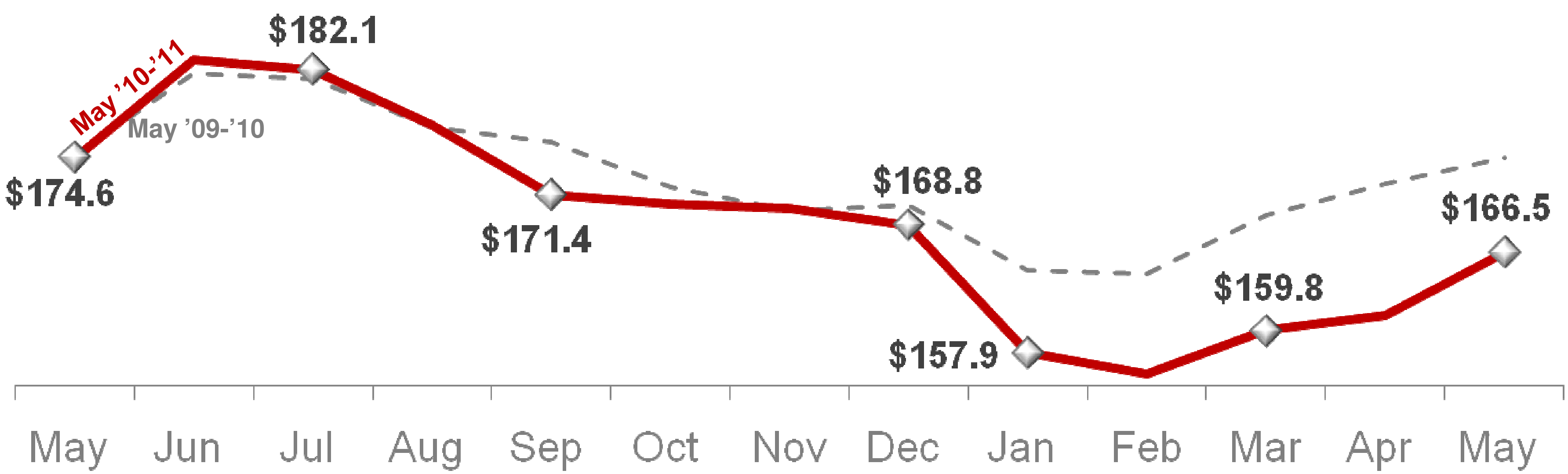
Home sales in May were down 15.3% compared to the same time last year when the impact of the tax credit was at its peak. Compared to the previous month, sales were down 3.8%. NAR Chief Economist Lawrence Yun states that the slower pace of sales is consistent with the slower pace of overall economic activity and that falling gas prices will help to moderate the impact of a sluggish economy. Although he continues to cite unnecessarily tight credit for limiting buying activity, the pace of sales in the second part of the year is expected to be stronger.



Latest Data Release: June 21, 2011
Source: National Association of Realtors

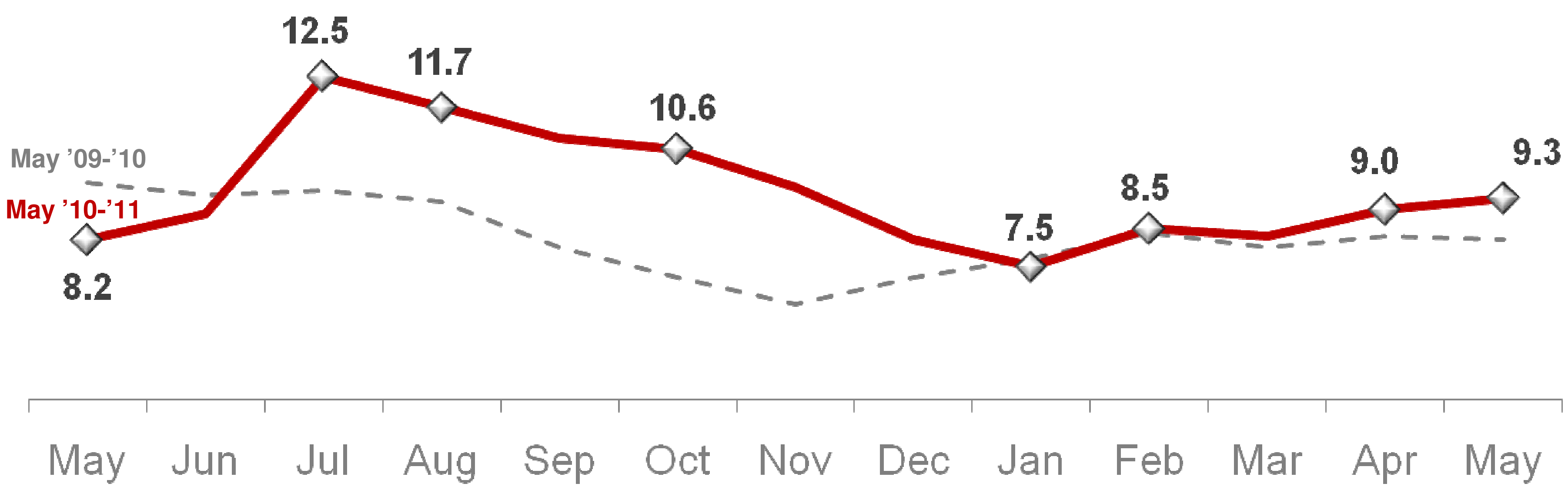
Home Price
In Thousands

Home prices rebounded 3.4% in May with median home prices rising to $166,500. This is 4.6% below the year-ago level and continues to keep the median price close to 2002–2003 levels. Just under 1 in 3 homes sold during May were distressed properties, which typically sell at a 10%–20% discount. This is down 6 percentage points from April and is exactly the same as a year ago. Investors represented 19% of sales, and first-time buyers accounted for 35% of May sales compared to 14% and 46% respectively a year ago at the peak of the tax credit. Home prices and mortgage rates remain favorable for buyers heading into the summer selling season.



Supply of Inventory
In Months

The supply of homes measured in months on the market at their current pace was up during May compared to April. Inventory levels remained 26% below the peak of 12.5 months in July 2010 and 12% above April of 2010 when the tax credit was in full swing.



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Source: National Association of Realtors

Mortgage Rates
30-Year Fixed

Rates are at a record low after steadily declining throughout May, primarily due to uncertainty in the global and domestic economies. While these incredible rates represent a significant savings for home buyers, experts note that for the benefits to fully be realized, lending conditions must loosen so more buyers can take advantage of them. As overall economic activity gets back on track, rates will likely rise to keep inflation in check. In other words, the window of opportunity for buyers to lock in these historically low interest rates may not remain open much longer.

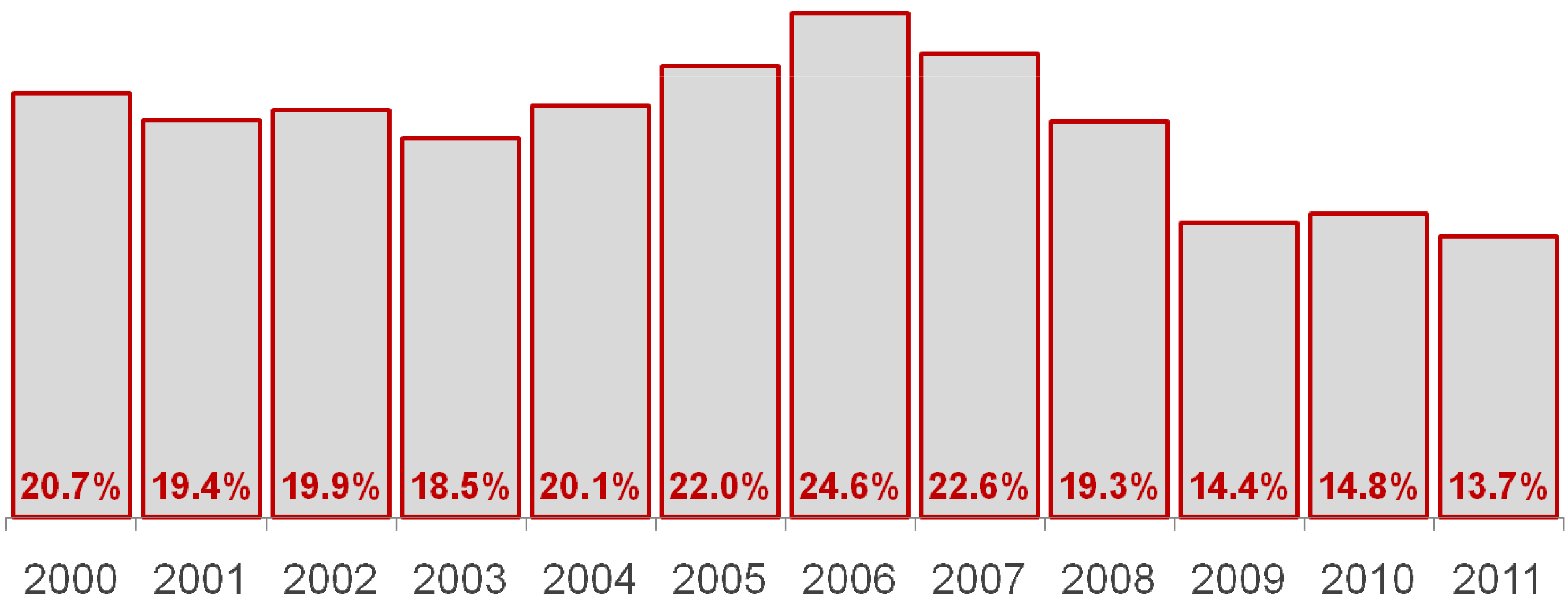
Type	Rate
30-Year Fixed	4.50%
15-Year Fixed	3.69%
5/1 ARM	3.25%
Historical Average	8.90%

Source: Freddie Mac; June 23, 2011

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 May. 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 May every year. Calculations assume a 20% down payment.
Source: National Association of Realtors

Recent
Government Action

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Fed Discontinues Bond Purchase Program

The Federal Reserve Board has announced the end of its $600 billion bond-buying program. Also known as quantitative easing, the goal of this program was to bolster economic activity and lending.

When banks are concerned about the ability of businesses and consumers to repay loans, they tend to buy treasury securities, which are guaranteed by the federal government. The Fed’s bond-buying program decreased the yield on treasuries, making them less appealing for banks and making lending to consumers and businesses more appealing. On the other hand, the program created more money and lowered the value of the U.S. dollar. In moderation this can be a good thing for incentivizing exports and boosting economic activities even though the impact tends to increase inflation. In November 2010, when the program was announced, there was concern about deflationary pressures. Since then, inflation has returned but remains within acceptable levels.

The Fed is expected to keep interest rates at the current historical lows and economic activity is expected to pick up steam in the second half of the year.

Sources: LATimes.com, WSJ.com

Topics for Home Buyers, Sellers, and Owners

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Tips for Selling Your House

1. Price it right. Studies show that when homes are priced to sell, they not only sell faster, they ultimately command a higher price than homes that sit on the market and get perceived as "stale."

2. Consider a presale inspection. This will help you to know what items need to be fixed before your home goes on the market. Repairs and concessions made during the negotiation process can end up costing sellers more. KW Research reveals that in 2010, 89% of move-up and 82% of first-time buyers purchased a home in good to excellent condition. 75% of sellers started making repairs 1–8 weeks before listing.

3. Higher may not always be better. While a higher offer can be tempting, be sure to consider the whole offer. An offer without contingencies, conditions, and with a higher down payment may be a more solid deal.

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

Founded in 1983, Keller Williams Realty 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 second-largest U.S. residential real estate firm in 2010.

Keller Williams Realty 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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