



This Month in Real Estate

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Commentary

The U.S. housing market has shown increased stability in home sales during 2011 compared to the previous year. Home prices are up 18% since their low in February. Signs of recovery remain mixed in the economy—employment and GDP came in less than expected while the strong points were in consumer confidence and new home starts.

The debt ceiling has been raised without any drastic changes to occur immediately. Although this prevents a sudden shock to a weakening recovery, over the next year and a half, experts anticipate considerable changes in how the government spends and collects money. The uncertainty of what is to come and how it will impact various industries will likely cause some to play on the safe side. The good news is that the government remains solvent and will be able to pay its bills without major disruptions.

Economic improvement typically spurs rising interest rates in order to rein in inflation. Although inflation has been a 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.



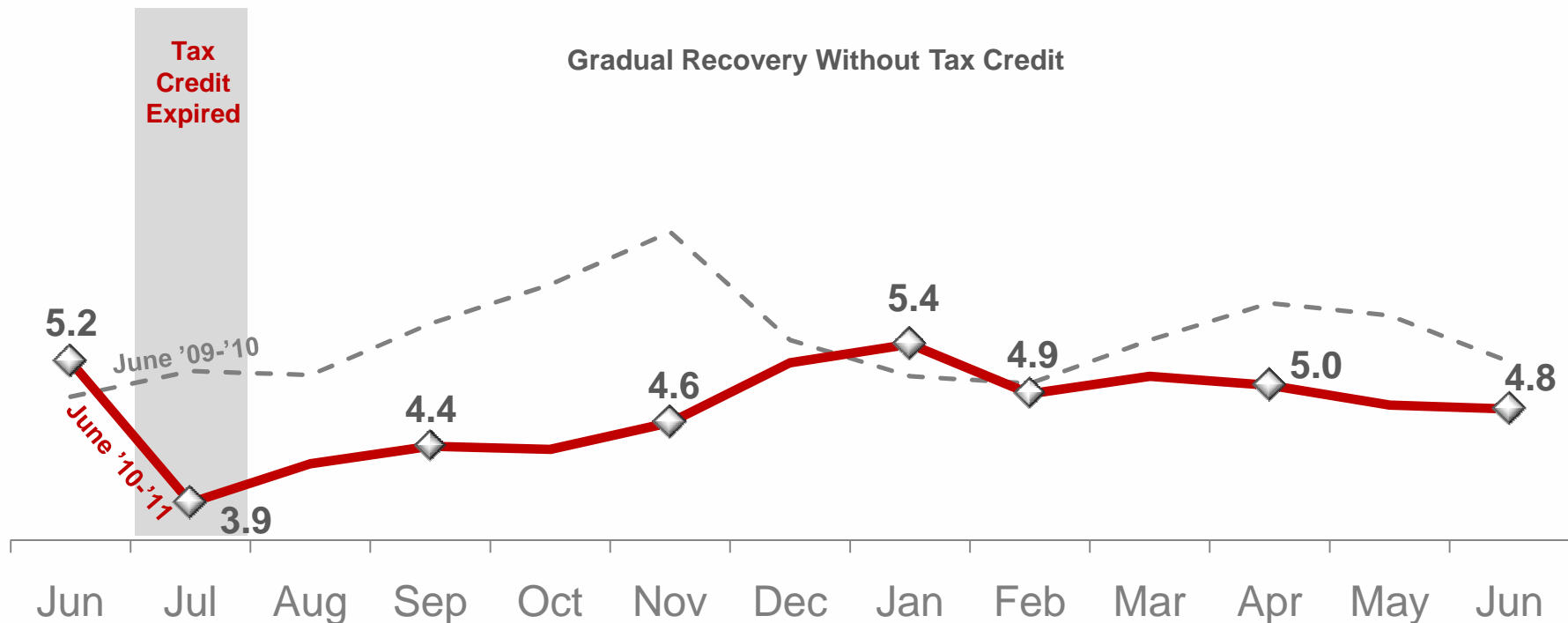
The Numbers That Drive Real Estate

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Home Sales

In Millions

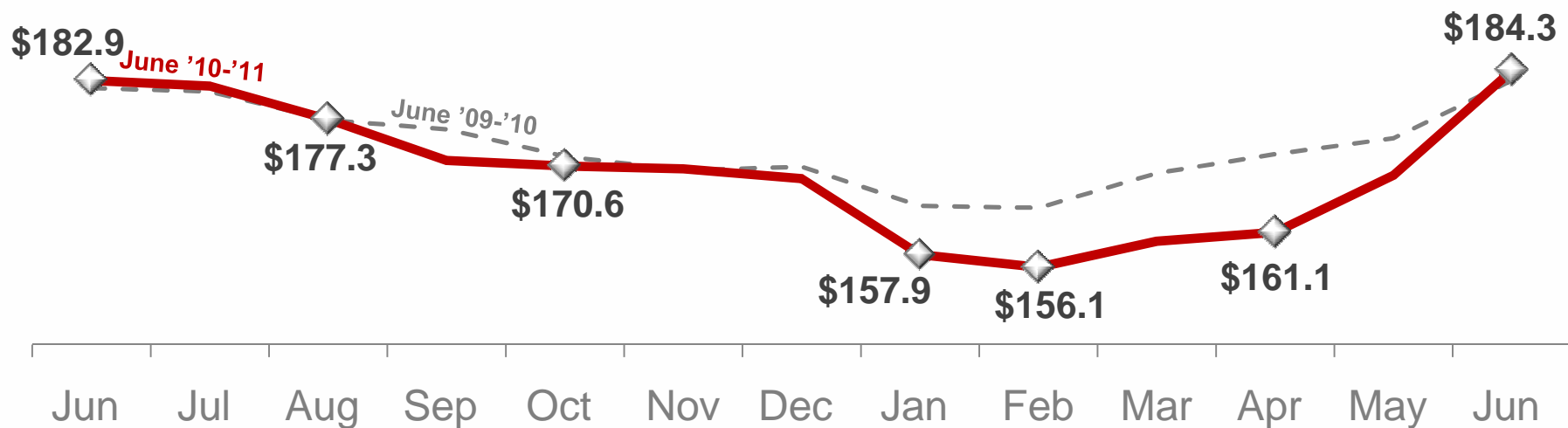
Home sales in June were down 8.8% compared to the same month last year when the impact of the tax credit was at its peak. Compared to the previous month, however, sales held relatively steady at 0.8% below May's numbers. NAR Chief Economist Lawrence Yun cites an unusually high number of contract cancellations the month before as an explanation for the slight easing of sales in June.



Home Price

In Thousands

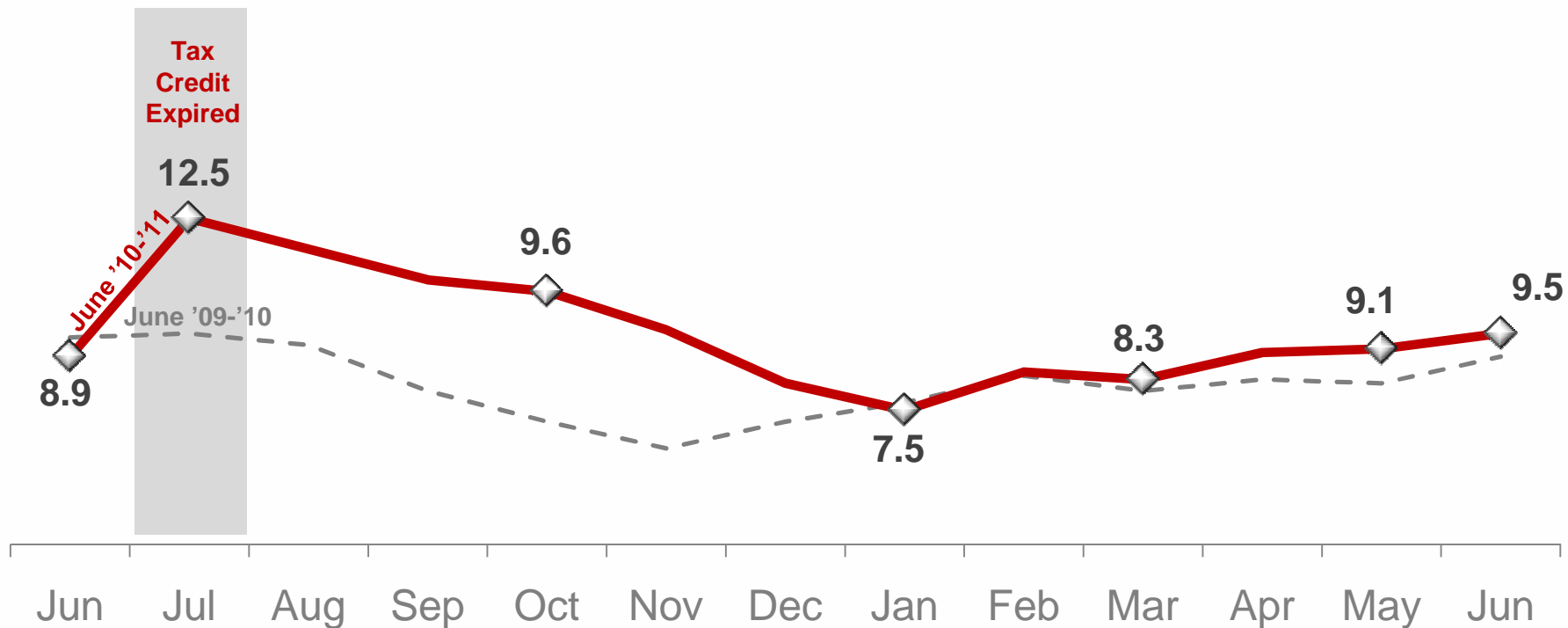
For the first time in a year, home prices are up year-over-year and month-over-month. This marks only the fourth time that prices have increased since June 2006. Home prices rebounded 8.9% in June with median home prices rising to \$184,300. This is 0.8% above the year-ago level. Median home prices remain close to 2003–2004 levels. The combination of low prices and historically low interest rates means that home affordability is extremely favorable.



Supply of Inventory

In Months

The supply of homes measured in months on the market at their current pace was up during June compared to May. This is keeping with inventory levels typically rise during the summer months. Month's supply remained 24% below the peak of 12.5 months in July 2010 and 14% above April of 2010 when the home buyer tax credit was in full swing.



Mortgage Rates

30-Year Fixed

Mortgage rates remain at record lows after steadily declining in 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 to enable more buyers to 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 | 4.39% |
| 15-Year Fixed | 3.54% |
| 5/1 ARM | 3.18% |
| Historical Average | 8.90% |



Recent Government Action

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Debt-Ceiling Deal

After a drawn-out debate between the House and the Senate, Democrats and Republicans; Congress and the President reached a deal on August 2, 2011, to raise the debt ceiling. Because of the decision and the additional borrowed funds, the United States is safe from defaulting on its debt and will be able to pay its bills. The deal includes the following:

- Immediately cuts spending by \$917 billion and raises the debt ceiling by \$400 billion. It will raise the ceiling by another \$500 billion in February, providing funds through early 2013.
- Creates a joint committee of twelve members from the House and Senate that will make recommendations for \$1.5 trillion in deficit reduction measures, and if the plan is rejected by Congress, several automatic spending cuts will take effect.
- Requires Congress to vote on adding a balanced budget amendment to the constitution, which would mandate that future spending cannot exceed revenues. If it passes, the debt ceiling can be raised by \$1.5 trillion. If not, then it can only be raised by \$1.2 trillion.

Lack of concrete details about how the deficit will be reduced sets the stage for continued political debate in the coming months and years. And with the U.S. securities AAA rating being threatened with a downgrade, the credit agencies will watch carefully to ensure Congress takes action to steer the country in a financially solvent direction. A downgrade would result in higher interest rates, making it more expensive for consumers and the government to borrow money.

Bottom line: Crisis averted—it's business as usual for now, but this is not the last to be heard regarding U.S. deficit and debt levels. Some reports indicate that this may change the game in Congress from “spend, spend, spend” to “cut, cut, cut.”



Topics for Home Buyers, Sellers, and Owners

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Energy Saving Tips

Summertime is fun time! It's also the peak season for electricity use, particularly with this exceptionally steamy summer. To avoid energy bill shock and enjoy an energy-efficient summer, follow these tips:

1. **Have your central air conditioning checked annually** by a professional HVAC technician to ensure it is functioning at its best capacity.
2. **Replace the air filters every three months** to keep dust out of the ducts, especially if you've had renovations done in your home.
3. **Keep the vents clear** of carpets, drapery, and furniture, and close the vents in rooms that you don't use often.
4. **Install a programmable thermostat.** This will allow you to turn the temperature up during the day when nobody is home and at night when the temperature goes down. Each degree saves 3-4% in energy costs.
5. **Use ceiling or room fans** as they can do a good job of cooling your house while using a lot less energy than central air units.
6. **Top up the insulation** in the attic and seal air leaks around windows and doors. This will help save energy in both summer and winter.
7. **Get rid of old inefficient appliances.** Consider Energy Star ratings when looking for new appliances.

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.

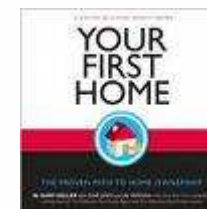
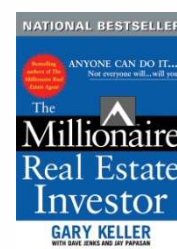
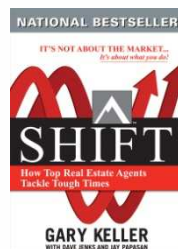
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