THIS MONTH IN REAL ESTATE

U.S.

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KW Research

Commentary

Housing activity continues to remain above year-ago levels despite some setbacks resulting from the now-expired tax credit. Improved stability in home prices with similar levels of distressed properties seen last year offers a hopeful sign the market is holding its ground. However, the economy still has a considerable way to go to achieve its full recovery.

Consumers are saving more and being picky about how they spend their money. While a higher savings rate means less spending in the near term, this is a positive sign that households are taking control of their finances to build some cushion that can be used to pay down debt and/or support future spending.

Consumer confidence has softened and the job market remains stationary; but overall, financial conditions have improved, with a rebounding stock market. Mortgage rates also set record lows this month. Coupled with lowered home prices and a robust rental market, investors are finding their way back for cash-flow opportunities.

As job growth and foreclosures continue to stay on top of officials' agenda, regulatory measures addressing the financial systems are being taken to protect consumers from controversial and, in some cases, illegal lending practices. In the meantime, the federal government continues to lend support to the economy.

The Numbers That Drive Real Estate

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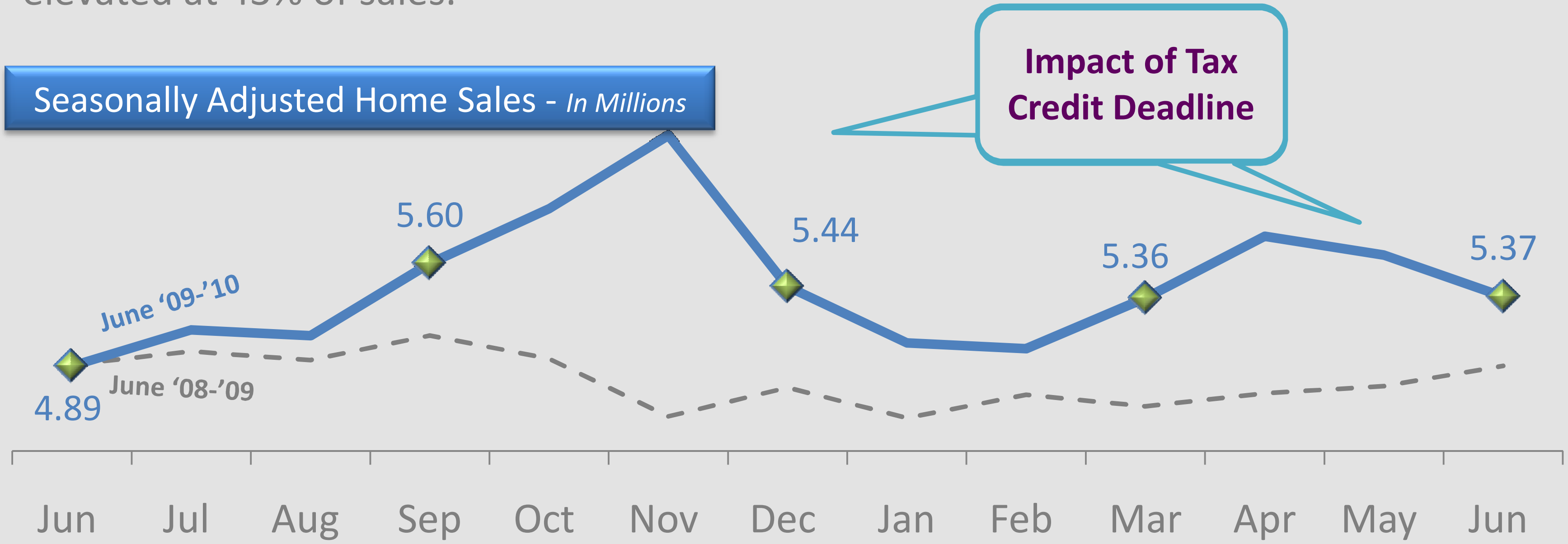
Home Sales

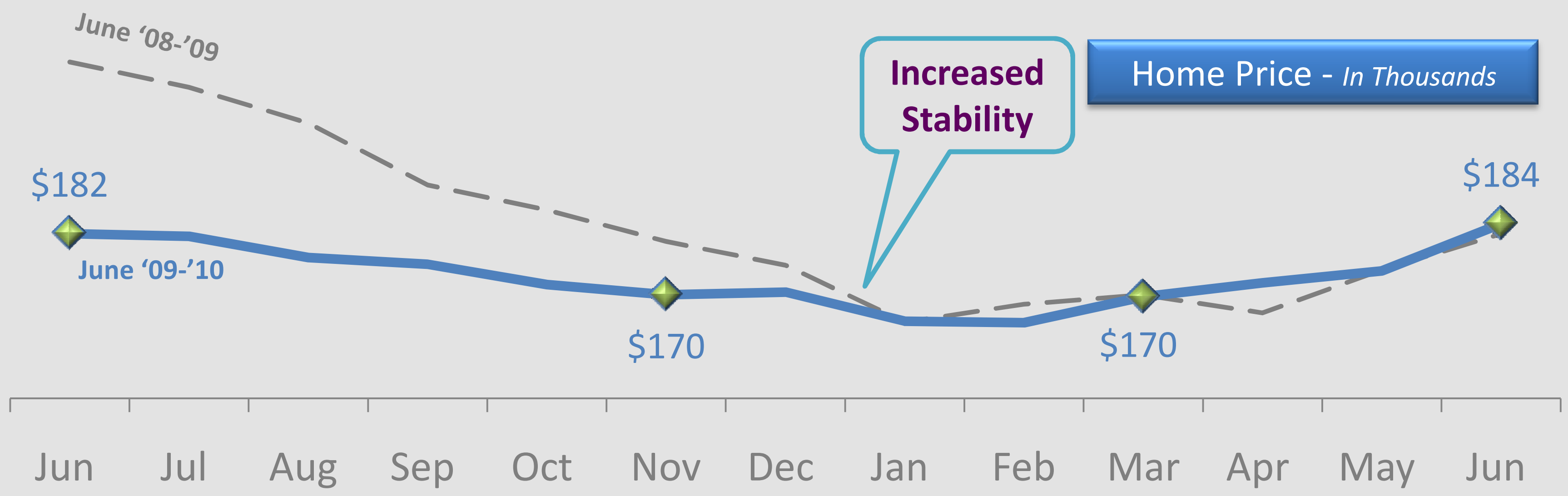
In Millions

Existing home sales marked the twelfth consecutive month of year-over-year increase in June with a 9.8% jump to 5.37 million units sold. On a monthly basis, sales activity eased 5.1% from May. The moderation in home sales reflects "understandable swings as buyers responded to the tax credits," according to Lawrence Yun, NAR chief economist. He anticipates such impact to show up in the next two months. In June, first-time buyers' purchases, while down from 46% in May, remained historically elevated at 43% of sales.



Home Price
In Thousands

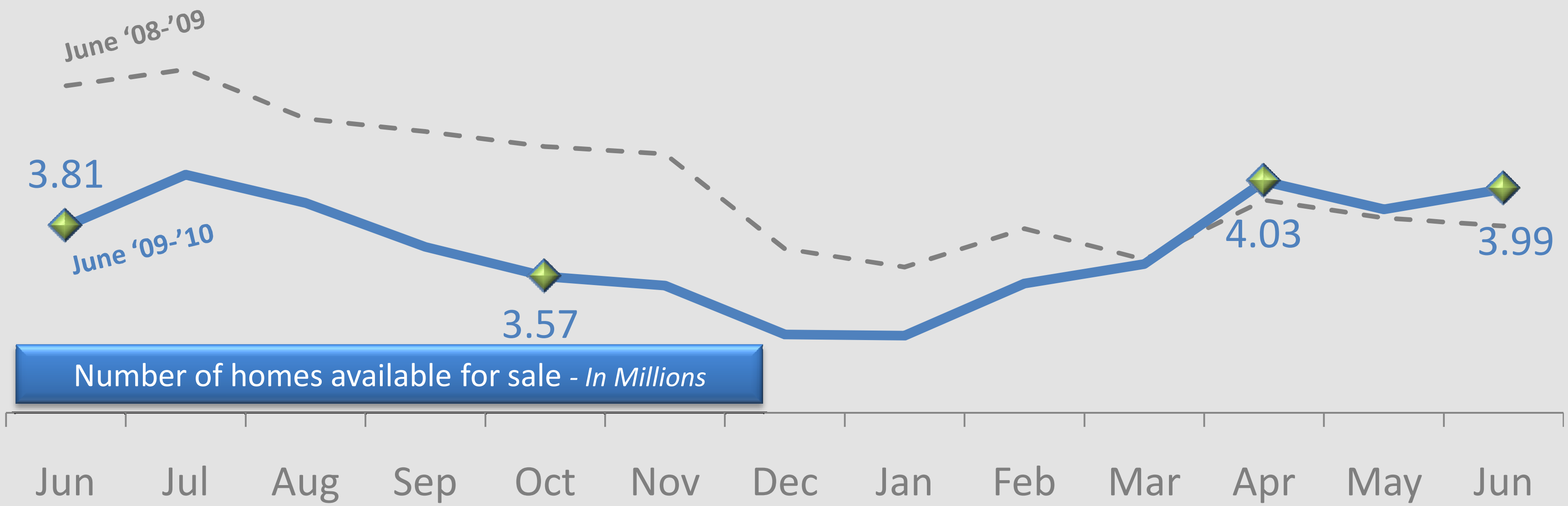
June's median home price increased for the fourth consecutive month to $183,700. This is up 5.2% from May and 1% from a year ago. Distressed homes, accounting for 32% of sales last month, continued holding home prices at highly affordable levels for the time being. While distressed sales hovered around the same level as a year ago, the gain in home prices is pointing to a sustained stability in the making.



Inventory - *Number of homes available for sale*

In Millions

Total inventory edged up 2.5% to 4 million from 3.89 million last month, providing buyers with a nice selection of homes. This represents 8.9 months of supply at the current pace of sales. The increase, while pulling housing supply above the 8.3 months in May, is still 5.3% below levels seen a year ago, and it is unlikely to have a significant impact on home prices due to overcorrection in many markets.



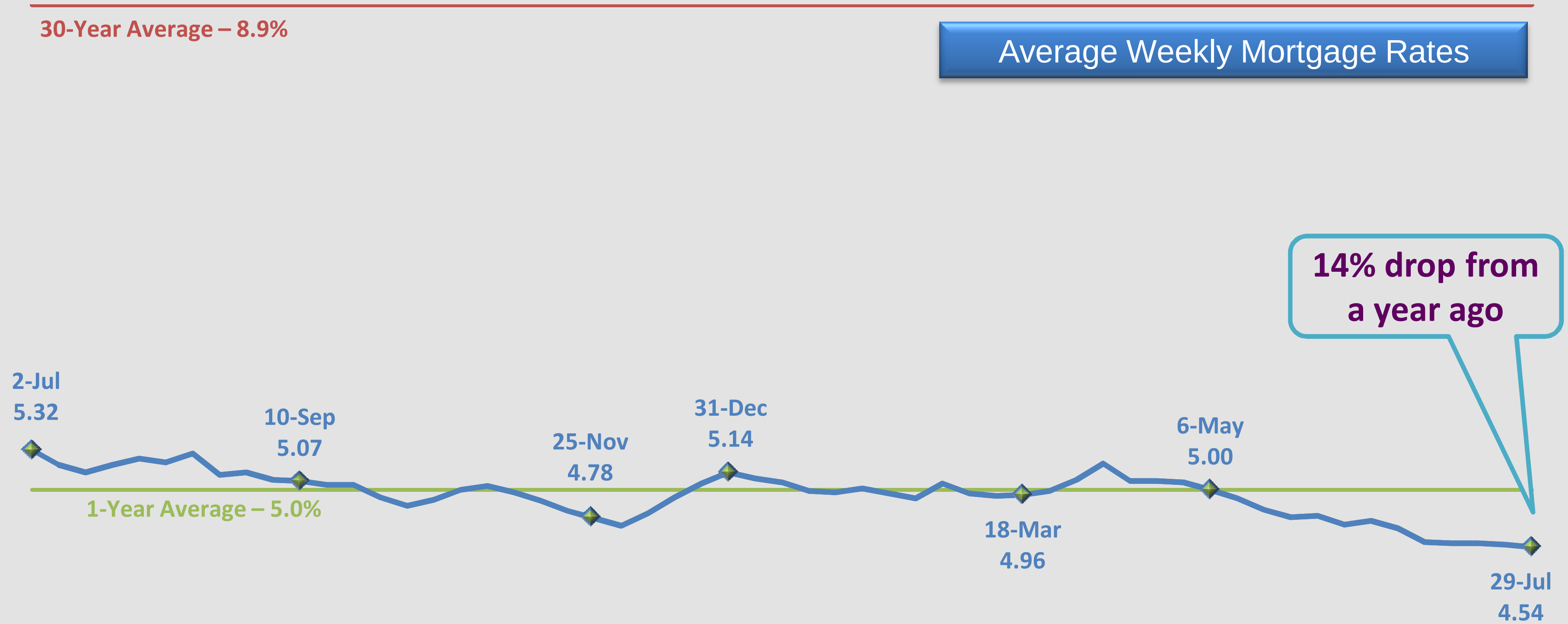
Latest Data Release: July 22, 2010

Source: National Association of Realtors

Mortgage Rates

30-Year Fixed

Mortgage rates set a new record low in July as consumer confidence softened and unemployment remained elevated. While the Fed itself plans to maintain a loose monetary policy until sustained growth is seen, especially in the job market, the Fed's anti-inflation camp continues stoking worries of long-term inflation which may reverse the current downward trend.

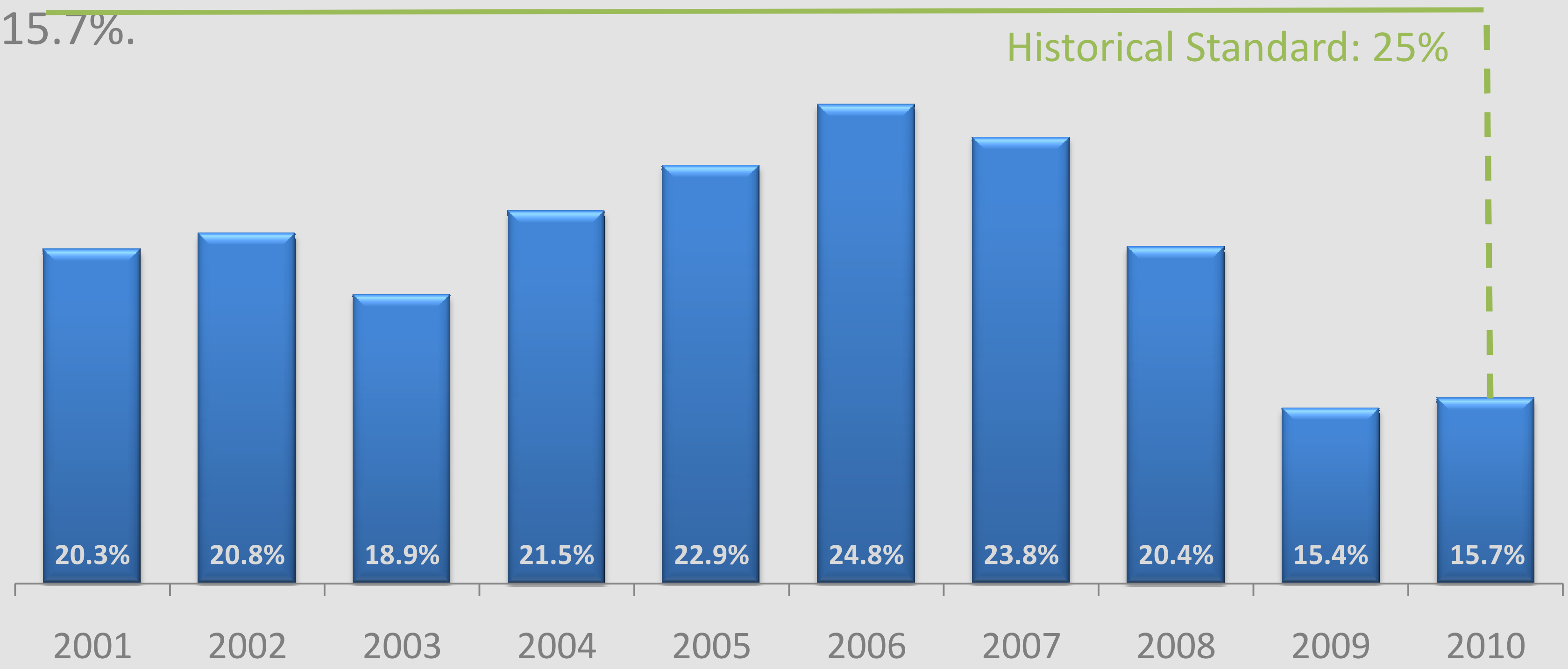


Source: Freddie Mac

Affordability - *Percentage of Income*

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

Housing remains highly affordable, and prospective home buyers stand to benefit from the lowest mortgage rates in decades, as well as advantageous home prices. The home price-to-income ratio continues to remain well below the historical average of 25%, but stabilizing home prices are drawing affordability back up toward more normal levels. The ratio now stands at 15.7%.



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

Recent Government Action

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Fed Seeking Ways to Support Economic Growth

The Federal Reserve's $1.25 trillion program to purchase agency mortgage-backed securities (MBS) was launched on January 5, 2009, and continued through March 31, 2010, with the main goal being to provide support to mortgage and housing markets.

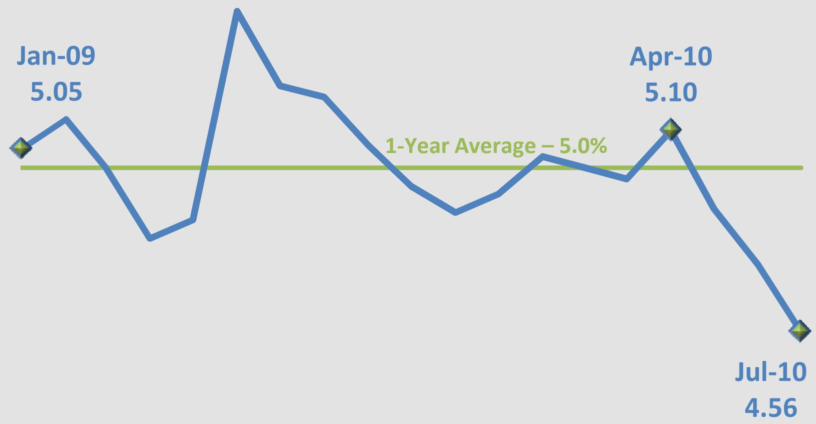
Now that the Fed's purchased mortgage bonds are starting to mature, putting the principal in the central bank's hands—as much as $200 billion by 2011–chatter has picked up that the Fed may reinvest that cash in new mortgage or Treasury bonds to stimulate the economy, a topic that will be addressed in the next monetary policy meeting scheduled for August 10.

Whether the Fed makes any move next week depends in large part on economic data. While Fed officials aren't yet prepared to resume large-scale purchases of MBS or Treasuries, they are holding that option open if the economy shows sign of weakening.

Market participants, however, are pointing to other alternatives for the Fed to hit the problem more directly, including supporting lending to small businesses, commercial real estate, or state and local governments by creating low-cost, guaranteed-loan program, similar to those used in the Troubled Asset Relief Program (TARP).

While a specific course of action is being worked out, the Fed is proceeding cautiously about tightening too quickly and continues commitment to its promise to keep monetary policy loose until economic growth is sustained.

Because mortgage rates and other long-term interest rates are already low, it is uncertain as to what extent the Fed's buying more mortgages or bonds would impact rates.



Source: *The Wall Street Journal*

Topics for Home Buyers, Sellers, and Owners

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Consumers Beware: New Credit Card Tricks

On May 22, 2009, President Obama signed into law the Credit Card Accountability, Responsibility, and Disclosure (CARD) Act of 2009, marking a turning point for American consumers and ending the days of unfair rate hikes and hidden fees. While the new law offers significant safeguards, consumers still need to be vigilant against new practices designed to outflank the new rules.

Stay as informed as possible, read your statement , report any irregularities immediately, and watch for these tricks.

SHORTENED BILLING CYCLE

The CARD Act requires companies to allow a window of at least 21 days from when a statement is mailed and when payment is due. Cardholders are reporting being shortchanged on billing cycle time and then being assessed late-payment fees.

ADVICE: Watch out for shortened payment dates.

SUNDAY DUE DATES

The CARD Act stipulates if a creditor does not receive or accept payments on weekends or holidays, then the date is extended and late-payment fees shouldn't be triggered. However, some banks say they're open for business even when there's no mail delivery.

ADVICE: Don't assume you are safe.

LOW-LIMIT CARDS

The CARD Act says a card's total annual fees can't exceed 25% of a borrower's credit line. However, some issuers may be evading the fee restrictions by charging an up-front processing fee that doesn't fall under the 25% cap.

ADVICE: Watch out for processing and other fees.

FALSE INACTIVE FEES

Issuers will no longer be able to charge inactivity fees or extra charges for people who don't spend a certain amount each year, effective August 22. However, some issuers are charging an annual fee that's waived if cardholders reach a certain spending threshold.

ADVICE: Watch out for conditional annual fees.

REBATE OFFERS

Some credit cards offer refunds on finance charges when customers pay on time. However, rebate offers aren't governed by the CARD Act, and such offers can be revoked suddenly and for any reason, leaving cardholders stuck with higher charges.

ADVICE: Rebates may translate to real savings in finance charges.

Source: *The Wall Street Journal*

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 through the home-buying or selling process in this challenging market.

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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 system-wide basis.

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

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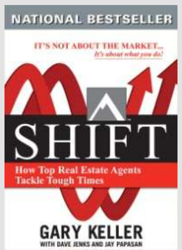

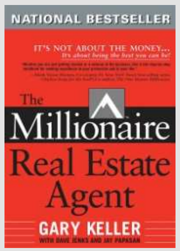

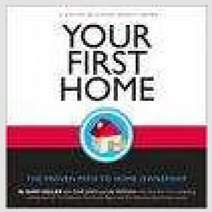

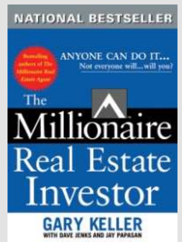

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