



# THIS MONTH IN REAL ESTATE

U.S.

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# Commentary

The housing market continues its slow recovery without the aid of the now expired tax credit. Sales are slower but growing, and prices remain on par with last year's levels. Interest rates also hit a new historic low, a major factor in helping keep mortgage payments low, which is expected to spur sales.

The economy shone a bit brighter in September. It grew faster during the second quarter than expected, and companies continued to hire. Experts believe there is now less risk of a double-dip recession.

Now, the Federal Reserve Board's challenge is not if the economy will grow but how fast. Driven by concerns that inflation is low, the Fed began purchasing treasury securities on a small scale. It used this tactic at the height of the recession to help draw down the interest rate and boost spending.

Experts anticipate both the economy and the housing market will continue their path on the way to a complete recovery. This march back up provides excellent opportunities: an ample selection of homes, affordable prices, and historically low interest rates.



# The Numbers That Drive Real Estate

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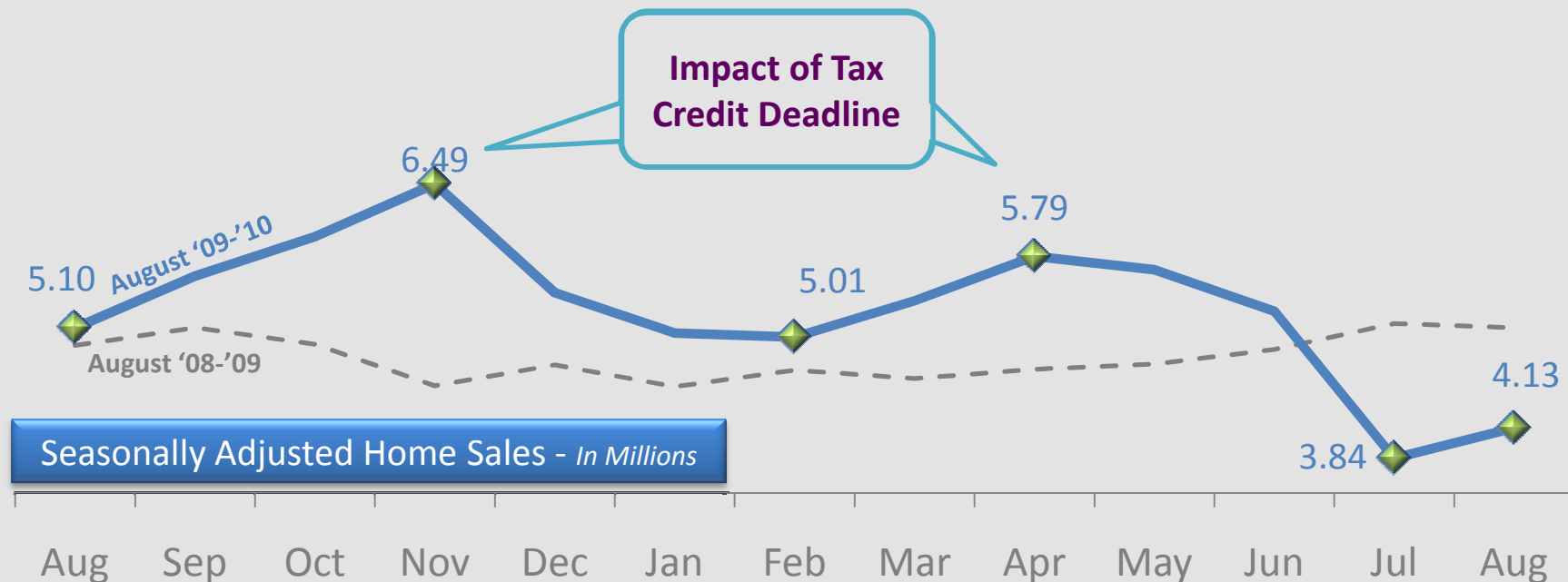
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# Home Sales

## *In Millions*

Home sales began to rebound in August, increasing 7.6% compared to the previous month. This increase follows a large drop caused by the expiration of the Federal tax credit in July. Sales are expected to slowly rebound as the market finds its footing without leaning on the government for support. Understandably, first-time buyers fell from 38% to 31% in August from July. Over the same time period, investors rose from 19% to 21%, reflecting those opportunistic individuals who are taking advantage of an exceptional time in the market with historically low rates, temporarily idle demand, and affordable but stable home prices.



Latest Data Release: September 23, 2010

Source: National Association of Realtors

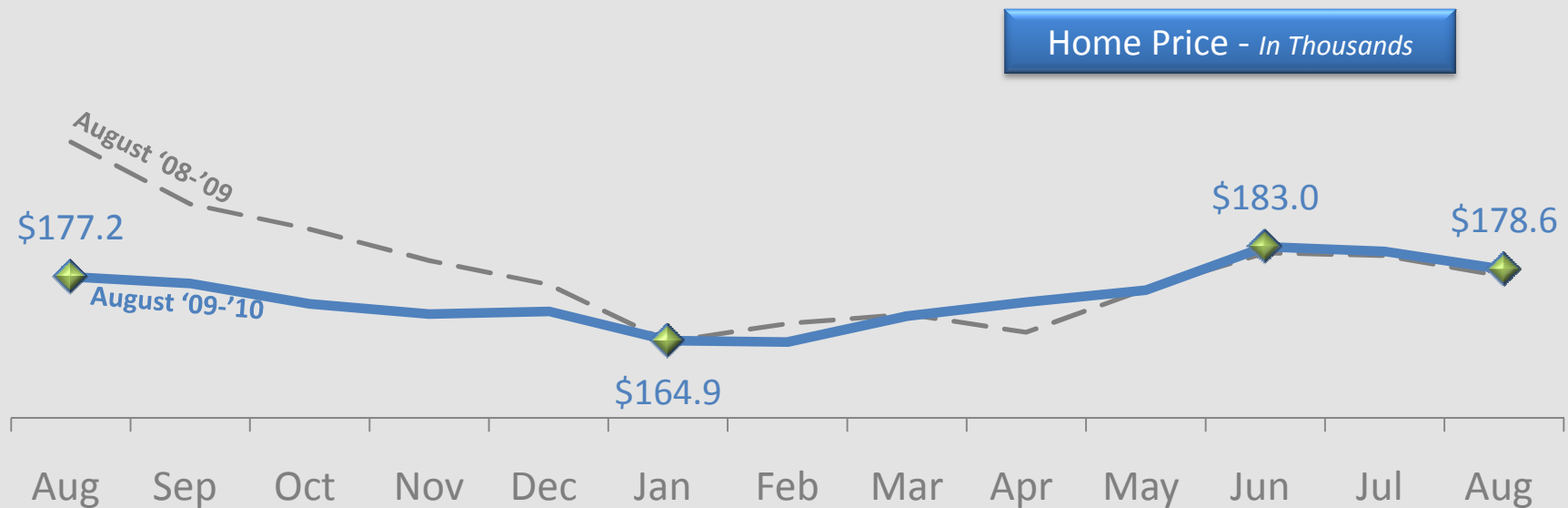
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# Home Price

*In Thousands*



Overall home prices fell slightly in August compared to July, but major markets appear to be bucking trend as the Case-Shiller Index shows an increase of 3.2%. For the fourth consecutive month, the median home price remains essentially at the same level as a year earlier. Experts continue to believe that prices will remain relatively stable going forward, particularly as the market works past the growing pains of standing its ground without government stimulus. Distressed properties accounted for a slightly larger proportion of sales in August compared to July. The discount in distressed properties helps explain the slight decline in August prices.



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Source: National Association of Realtors

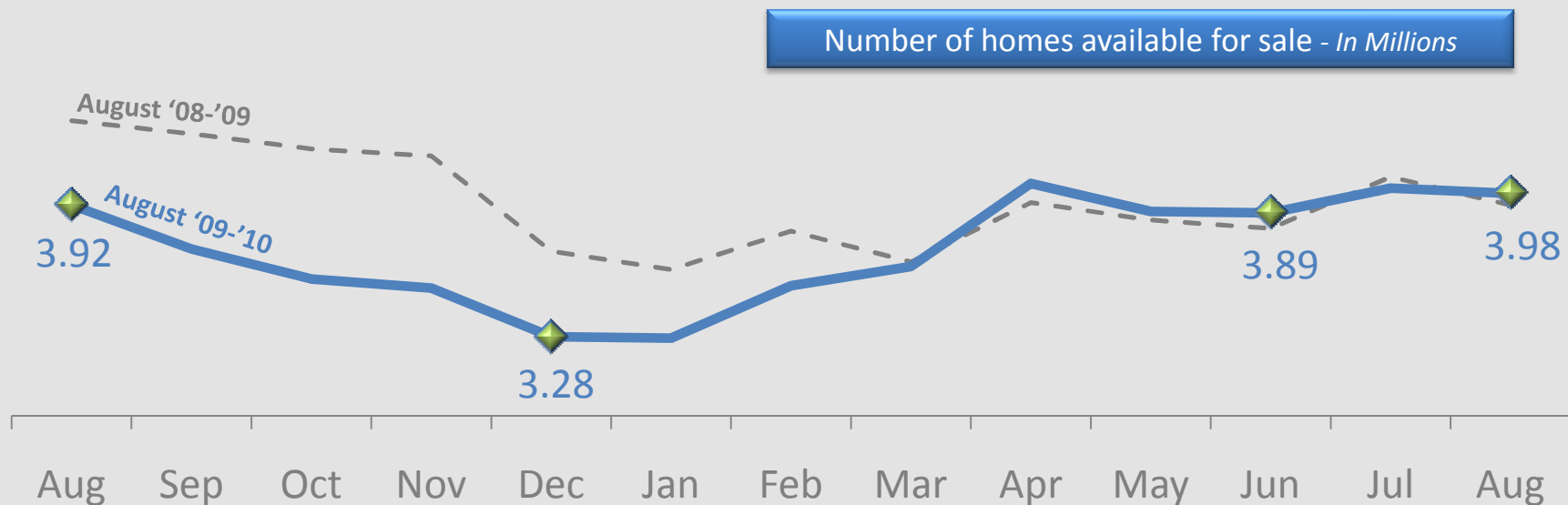
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# Inventory - *Number of homes available for sale*

## *In Millions*



Total inventory came back below 4 million to 3.98 million in August, representing 11.6 months of inventory. While still at a relatively high level, months of inventory dropped by nearly a month in August from the 12.5 month's supply in July. This continues to represent an excellent opportunity for buyers and investors who have not yet taken advantage of this unique time in the market.



Latest Data Release: September 23, 2010

Source: National Association of Realtors

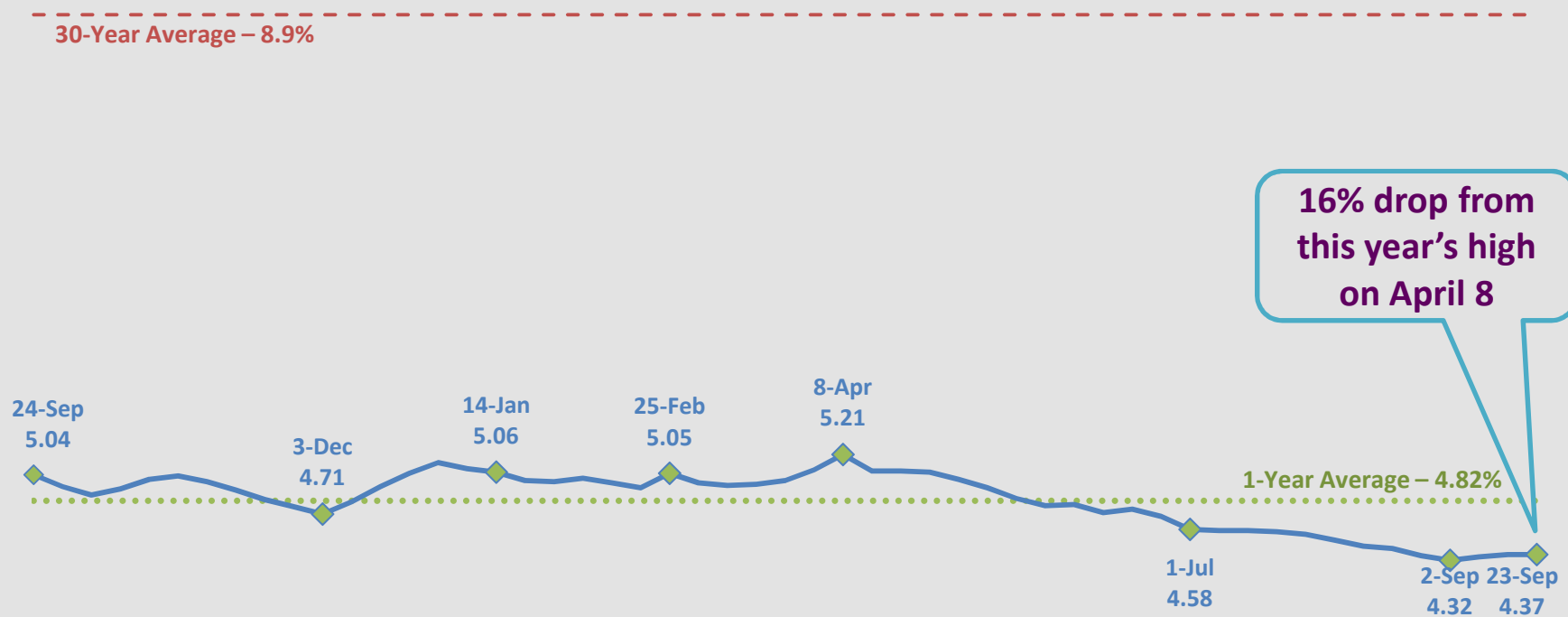
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# Mortgage Rates

## 30-Year Fixed



Mortgage rates once again **set new record lows** in early September and remained below 4.4% throughout the month. The Federal Reserve Board stated concern about the slow pace of recovery, and it has promised additional support through monetary policy if necessary. As economic activity gains momentum, rates will rise to keep inflation at an acceptable level.

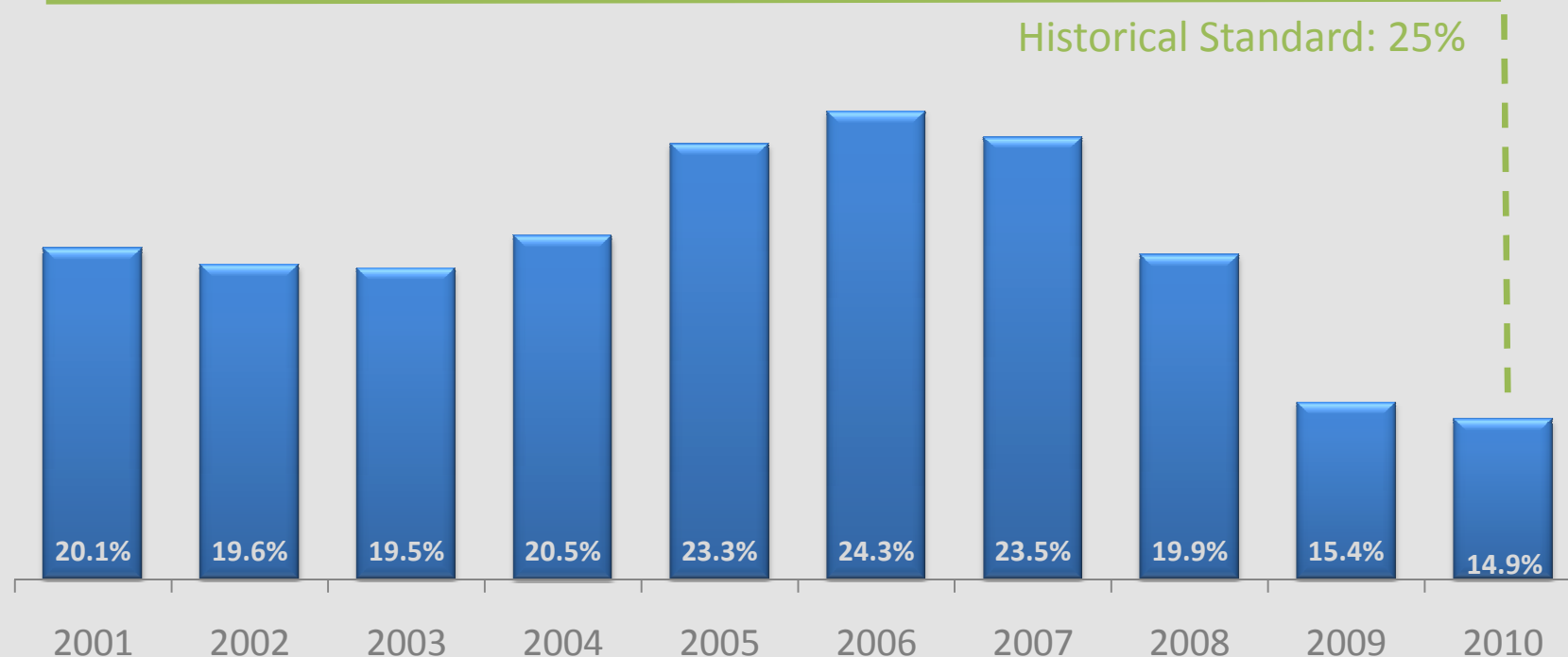




## Affordability - *Percentage of Income*

*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 beginning to draw affordability back up toward more normal levels. The ratio now stands at 14.9%.



Affordability as of August every year. Calculations assume a 20% down payment.

Source: National Association of Realtors





# Recent Government Action

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**Bonus for Buyers**

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# Bonus for Buyers

## *of Fannie Mae Foreclosures*



Like a car dealership at the end of its model year, Fannie Mae is offering special incentives exclusively for owner occupants that purchase property from its sizable inventory of foreclosures, also known as HomePath properties.

Owner occupants that purchase a Fannie Mae HomePath property by December 31 will receive up to 3.5% toward closing costs and a home warranty. These incentives for foreclosures are unheard of – banks typically sell foreclosures “as-is” without incentives, warranties, or repairs. This could help buyers to view a HomePath property more like a traditional sale, not a foreclosure, during their search process.

Owners and investors can purchase HomePath properties for 3% down and no mortgage insurance. For homes that are not in tip-top shape, Fannie Mae also offers the HomePath Renovation financing, which works similarly to FHA’s 203(k) mortgage by allowing the cost of light renovation to be included in the mortgage. Furthermore, owner occupants get a 15-day “first dibs” on HomePath properties through the First Look program.

Fannie Mae is also offering agents an additional \$1500 for representing owner occupants who purchase these properties, helping to compensate them for the extra paperwork and other potential obstacles that come along with foreclosure transactions.

Buyers should be sure to take a second look at Fannie Mae’s HomePath properties before settling on “the one.” It could mean not just a great deal but an excellent one.

To see Fannie Mae’s HomePath homes in your area, check out [HomePath.com](http://HomePath.com)



# Topics for Home Buyers, Sellers, and Owners

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# Options for Investors

Not only is it the perfect time to buy a home, but it's also an excellent time to purchase an investment property. If you already own and are not interested in moving – or you can't because of the 3-year occupancy requirement to keep your home buyer tax credit – but still want to take advantage of the market, investing can be a great way to do so.

In the current lending situation, lenders often require investor buyers to have six months reserves of mortgage payments and a 25% down payment. This stipulation keeps many would-be investors out of the market.

Here are some little known tips to help investors purchase, regardless of the tighter lending environment:

1. Investors can purchase a Fannie Mae HomePath investment for 3% down.
2. Any investor, not just veterans, can purchase a Veterans Affairs(VA) foreclosure with VA's Vendee Financing for 5% down.
3. Investors purchasing a VA foreclosure with Vendee Financing can use 75% of anticipated rent to offset the monthly payment if the investor has experience managing rental properties.



# 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.

# About Keller Williams Realty

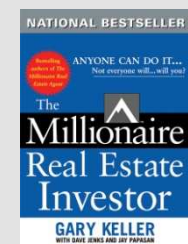
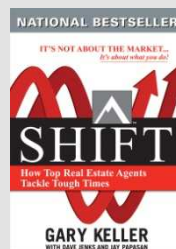


Founded in 1983, Keller Williams Realty, Inc., is an international real estate company with more than 77,000 associates and 677 offices across the United States and Canada. The company began franchising in 1991 and, after years of phenomenal growth and success, became the third-largest U.S. residential real estate firm in 2009.

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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# THIS MONTH IN REAL ESTATE

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