



# THIS MONTH IN REAL ESTATE

U.S.

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Commentary	2
The Numbers That Drive Real Estate	3
Recent Government Action	9
Topics for Home Buyers, Sellers, and Owners	13

# Commentary



The economic recovery continues to slowly but steadily deepen its roots. Consumer sentiment ticked up in March and it appears businesses are feeling more positive as well. According to a CEO Economic Outlook Survey, America's top CEOs are expecting an increase in sales, along with increased or stabilized capital spending and employment.

Over the past several months, the hot topic of health care reform took much of Congress's attention. Now, with the bill passed into law, the government is turning its attention to other matters to help bolster the economy including unemployment and financial reform.

High unemployment and elevated levels of foreclosures and distressed homeowners continue to be two of the biggest factors in preventing a robust recovery. The government's attentive attitude toward these obstacles is seen as a positive sign by industry and economic experts.



# The Numbers That Drive Real Estate

Home Sales	4
Home Price	5
Inventory	6
Mortgage Rates	7
Affordability	8

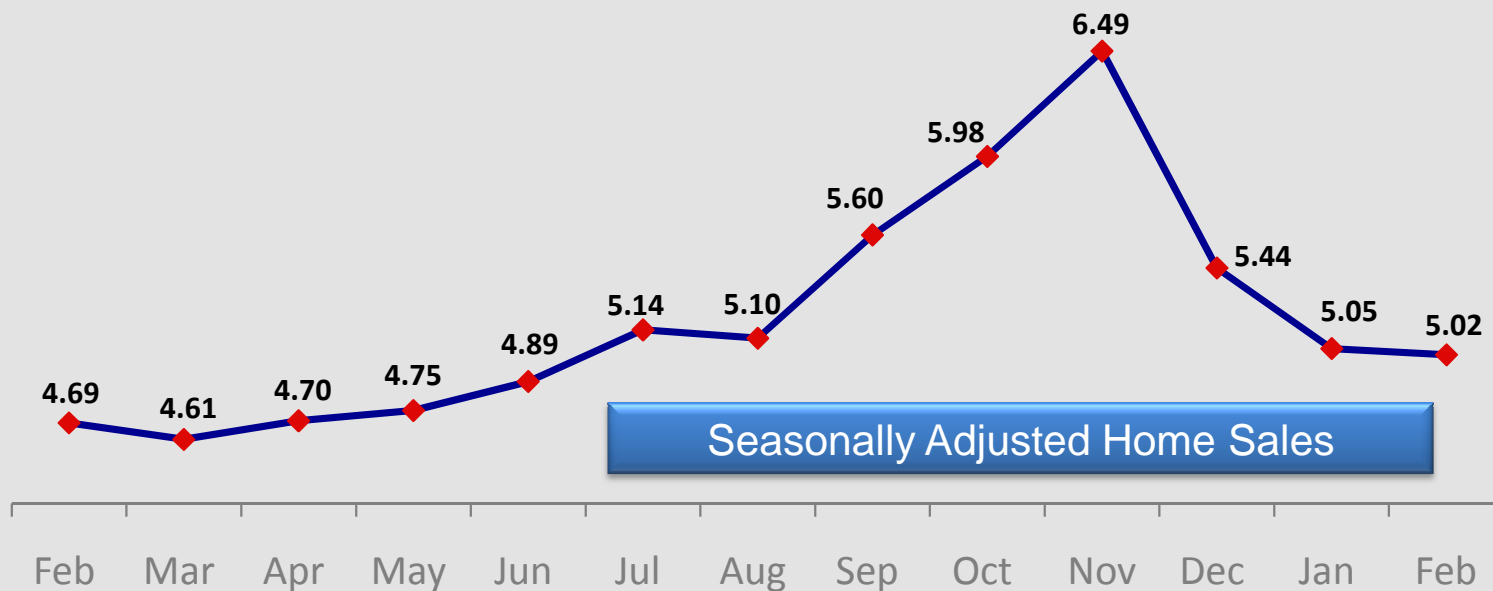
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# Home Sales

## *In Millions*

Existing home sales softened in February. According to Lawrence Yun, NAR chief economist, the widespread winter storms during the month may have masked underlying demand as “buyers couldn’t get out to look at homes in some areas and that should negatively impact near-term contract activity.” February sales of 5.02 million remained 7 percent above the 4.69 million-units last year.



Latest Data Release: March 23, 2010

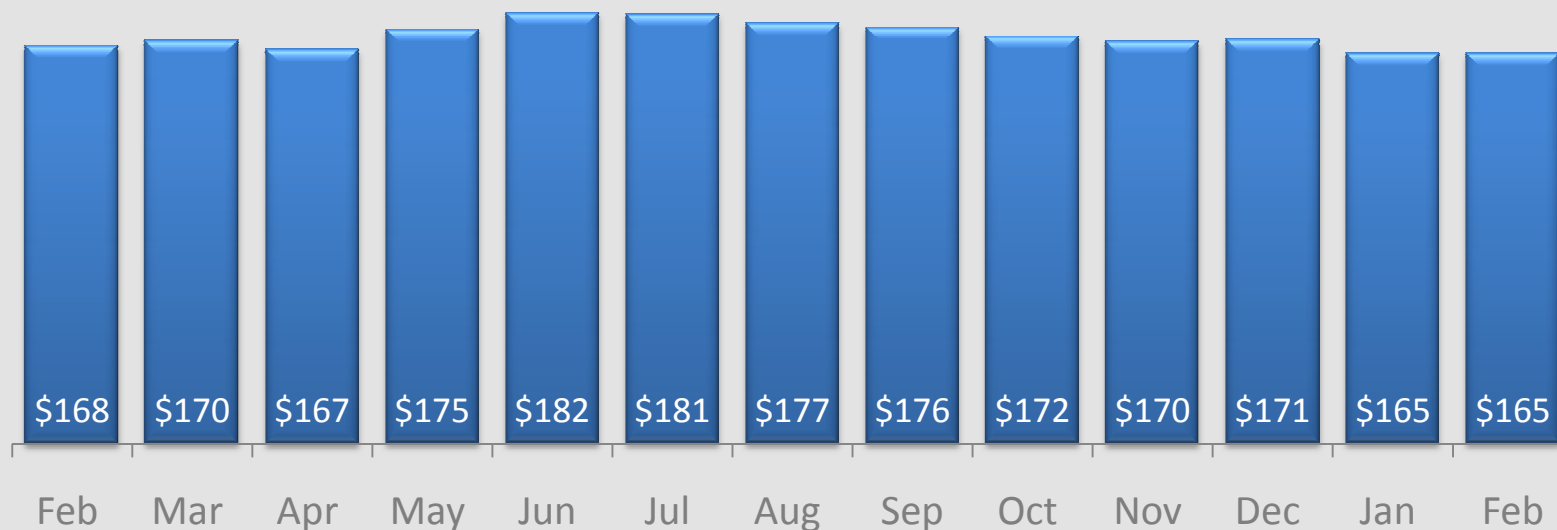
Source: National Association of Realtors

# Median Home Price

*In Thousands*



The median price for an existing home was \$165,100 in February, a 1.8 percent drop from February 2009. Distressed homes, which accounted for 35 percent of sales last month, continued to skew prices downward as they typically were discounted in comparison with non-distressed homes.



Latest Data Release: March 23, 2010

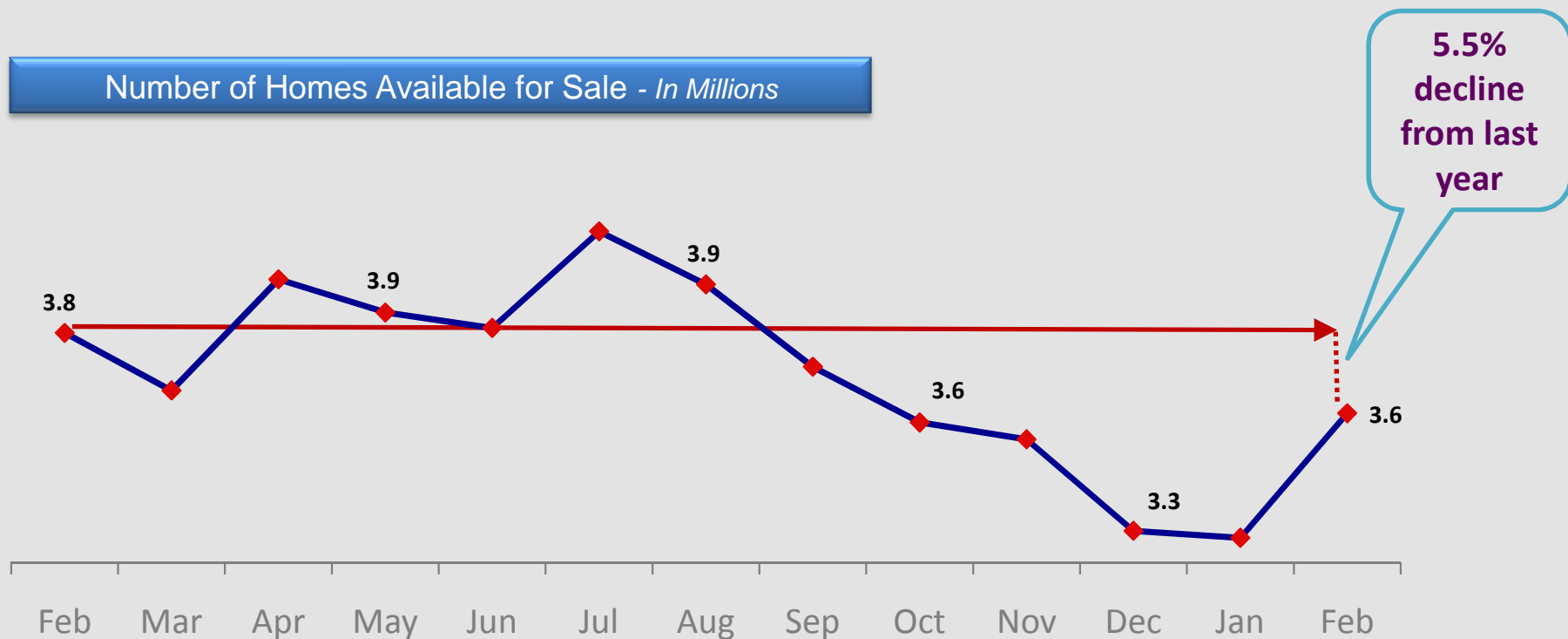
Source: National Association of Realtors

# Inventory - *Number of homes available for sale*

## *In Millions*



Total housing inventory rose 9.5 percent to 3.59 million, representing an 8.6-month supply at the current sales pace. Compared to the previous year, there were 5.5 percent fewer homes on the market.



Latest Data Release: March 23, 2010

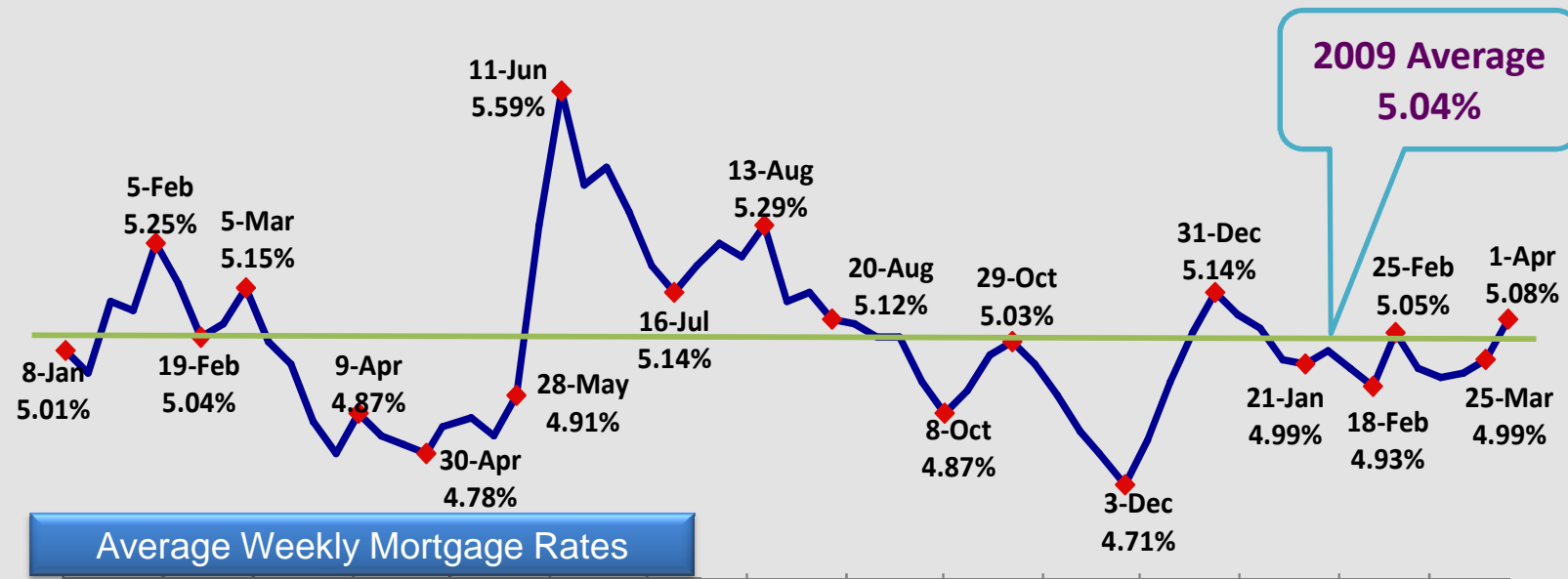
Source: National Association of Realtors

# Mortgage Rates

## 30-Year Fixed



Mortgage rates dipped to 4.99 percent in February from 5.03 percent in January. During the first week of April, rates crossed the 5 percent threshold but still remained near historically low levels. While the full effect of the Federal Reserve mortgage-backed securities purchase program's expiration at the end of March is yet to be seen, the Fed echoed its accommodating policy to support the economy.



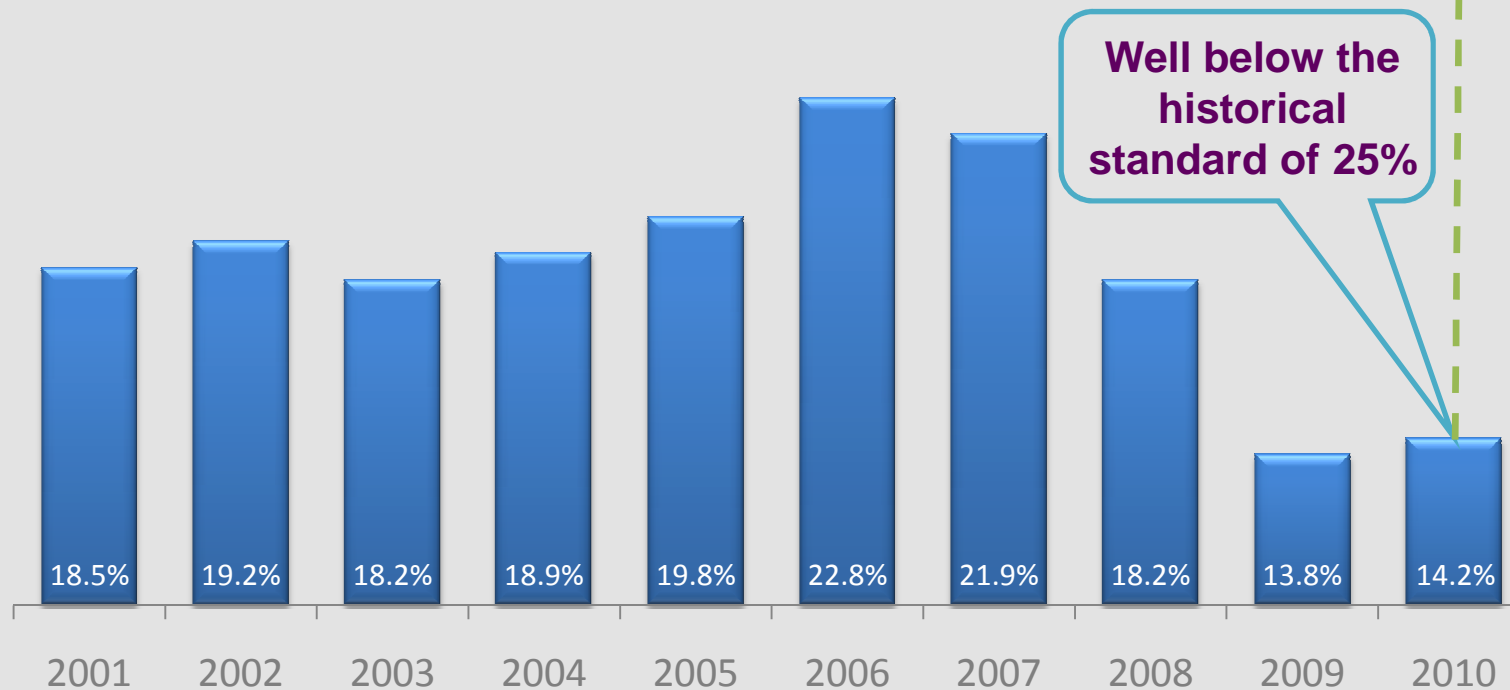


## Affordability - Percentage of Income

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

Affordability remains at record levels, supported by the lowest mortgage rates in decades, low home prices, and the first-time home buyer tax credit. The home price-to-income ratio continues to remain well below the historical average of 25 percent. The ratio now stands at 14.2 percent.

Historical Standard: 25%



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

Source: National Association of Realtors





# Recent Government Action

Mortgage Relief for the Unemployed	10
Helping Underwater Homeowners	11
Bill Encourages Hiring the Unemployed	12

# Mortgage Relief for Unemployed



Attempting to overhaul its foreclosure prevention program, the Obama administration took noteworthy steps to help the unemployed stay current on their mortgage through tough times.

While the trouble in the housing market originally started with loose lending practices, high unemployment and underwater homeowners are now the major factors contributing to foreclosure.

The program will now:

1. Require lenders to **“slash” payments for the unemployed for 3-6 months**. In some cases, payments could be deferred entirely.
2. **Cut payments to** at least 31 percent of previous income, **about the same amount that unemployment insurance pays**.
3. Become **effective** over the **next 6 months**.
4. **Not require new taxpayer funds**. The program has only used a small portion of its \$75 billion allocation.



# Helping Underwater Homeowners

Underwater borrowers are one of the major driving forces behind foreclosure. It's estimated that one in four homeowners owes more than their home is worth. Economists categorize these borrowers as "high risk" because they can't sell or refinance.

The government is taking the following steps to address underwater borrowers:

- 1. Principal Reduction.** Lenders will be asked to reduce the principal loan balance if it is 15 percent or greater than what the home is worth. This will only be available to borrowers who are *current* on their mortgage payments and they will need to stay current to "earn" the full reduction over three years.
- 2. FHA Refinancing.** The Federal Housing Administration (FHA) offers refinancing alternatives for borrowers who are underwater and offering incentives for lenders who reduce the principal on primary mortgages by at least 10 percent.
- 3. Second Mortgages.** The government will double the incentive amount paid to lenders who help modify second mortgages. Half of all troubled homeowners have second mortgages, which have been an obstacle in providing modifications.
- 4. Short Sales.** Incentives to lenders who help troubled borrowers that don't qualify for the program, most commonly a short sale, have been increased.





# Bill Encourages Hiring Unemployed

One of the biggest obstacles to greater stability in the U.S. economy and housing market is the unemployment rate, which continues to hover just shy of double digits at 9.7 percent. The government has plans to address the job market with a series of bills, the first of which aims to boost hiring.

Key provisions of the bill are as follows:

1. **Incentives to Hire.** Employers who hire employees that were unemployed for at least sixty days will get a break on those employees' 6.2 percent social security tax through the end of 2010.
2. **Incentives to Retain.** Employers who keep employees for at least a year will get a \$1,000 bonus.
3. **Cost.** The expected cost is \$13 billion.
4. **Result.** Experts anticipate the bill creating 234,000 jobs that would otherwise not happen.

Increased hiring, particularly for those who have been out of work for some time, will increase employees' ability to stay current with housing payments and bills in addition to expanding their spending power, adding stability to the housing market and boosting the economy.



# Topics for Home Buyers, Sellers, and Owners

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Energy-Efficiency Tax Tips 14

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# Energy-Efficiency Tax Tips

## Three Things You Need to Know About Home Improvements to Help Slash Energy Bills and 2010 Taxes

1. Simple qualifying improvements include increasing insulation or insulating items such as door and windows, roofing, skylights, etc. These qualify for a **30 percent credit** on the cost of the item, not installation, **up to** a maximum credit cap of **\$1,500**.
2. Certain big-ticket items have **no maximum credit cap**. The credit is still 30 percent of the cost of the item. These items include furnace, air conditioning, tankless water heater, heat pump, geothermal system, solar or wind installation.
3. It's a tax **credit, not a deduction**. That means it reduces the actual taxes you owe, not your taxable income. Use IRS Form 5695, and hang onto receipts and product labels.

Don't forget to [check](#) your state and local area for additional incentives.

For more info on the federal tax credit, check out: [EnergyStar.gov](http://EnergyStar.gov) and [NAHB.org/efficiencytaxcredit](http://NAHB.org/efficiencytaxcredit).

*This is general information and is not intended to be tax advice; see a professional for specifics and advice.*

# 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 area.

**Talk to your Keller Williams agent for assistance interpreting the conditions in your local market.**



Keller Williams associates are equipped with all the knowledge and information to help you navigate through the process of buying or selling a home in this challenging market.

# About Keller Williams Realty



Founded in 1983, Keller Williams Realty, Inc., is an international real estate company with more than more than 77,000 associates and 677 offices located across the United States and Canada. The company began franchising in 1991, and following 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 shares its knowledge, policy control, and company profits on a system-wide basis.

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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