



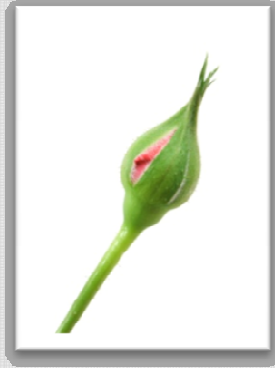
THIS MONTH IN REAL ESTATE

U.S.

**Released:
January 8, 2010**

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Commentary



December closed out the year with further indications of a budding recovery, illustrating we've come far from the pessimistic outlook this time last year. Soft home prices, affordable financing conditions as well as the government's tax break targeted at the housing market have contributed to providing the much needed boost to the housing market. Solid gains in home sale activity helps to pare down inventory to a healthier level, which in turn will likely bring more stability to home prices.

The most recent Federal Reserve meeting indicated a more positive outlook about our economic condition as they pointed to plans to reel in emergency programs. Mortgage rates, which have hovered around 5 percent for most of 2009, are starting to climb again. Economists expect these unprecedented rates to go back up as Fed's program to purchase mortgage-backed securities expires in March and private investors are demanding higher returns.

According to NAR 2009 President Charles McMillan, "Even with price declines in recent years, the typical home seller saw their equity increase 27 percent." NAR's most recent Home Buyers and Sellers survey reported that 87 percent of survey respondents consider their home a good investment, and more than half see it as a better investment than stocks. This indicates that Americans still see homeownership as a source of steady long-term wealth accumulation.

Employment will continue to be closely watched and steps on the road to recovery will likely continue to come one-by-one. Although concerns remain, many experts are hopeful of a brighter year in 2010.



The Numbers That Drive Real Estate

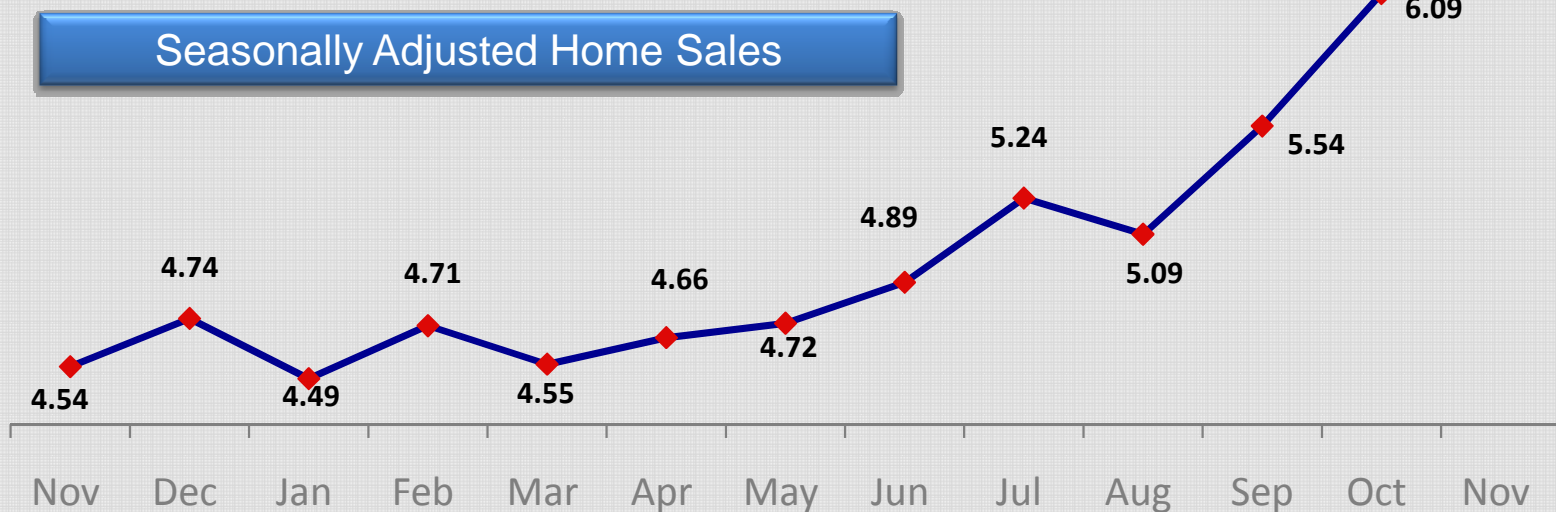
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Home Sales

In Millions

Existing home sales surged a record-breaking 44 percent from a year ago, the highest annual gain since NAR started tracking the data in 1999. The strong gain can be attributed to first-time buyers who accounted for 51 percent of all home sales, the highest on record dating back to 1981, as they rushed to beat the deadline for the first-time buyer tax credit that was due to expire November 30. The previous high was 44 percent in 1991. Sales activity is at the highest level since February 2007 when it reached 6.55 million.



Latest data release: December 22, 2009

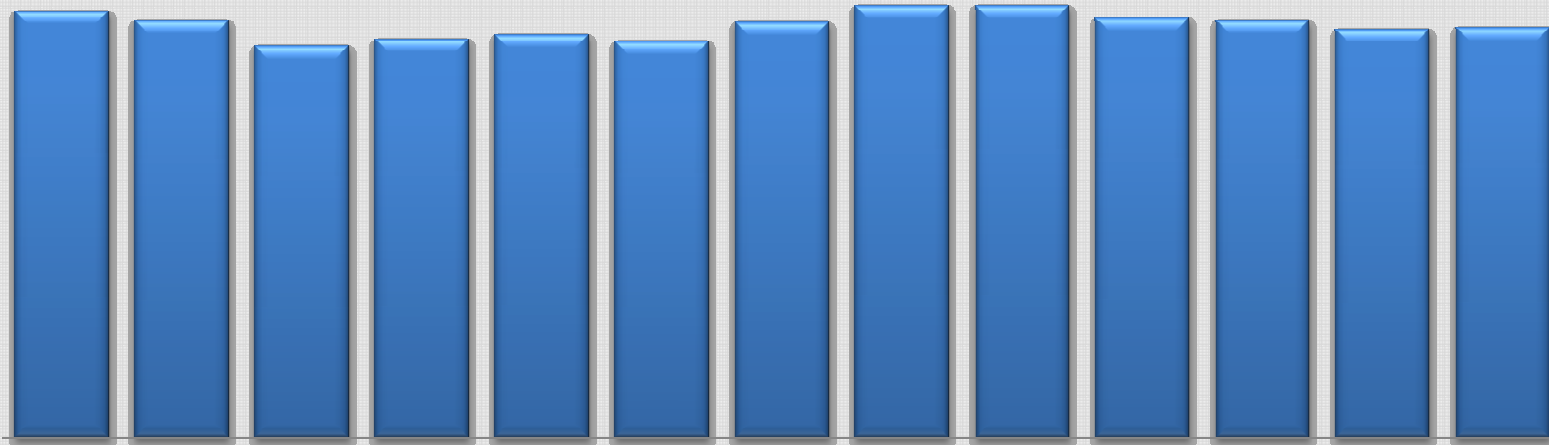
Source: National Association of Realtors

Median Home Price

In Thousands



Low home prices continue to add the extra boost to home sales. Existing-home price was \$172,600 in November, 5 percent higher from its low in January. While still 4.3 percent down from a year ago, it is the smallest decline in two years. Distressed properties, which accounted for 33 percent of all transactions in November, continue to hold down the median home price, as they typically sell for 15 to 20 percent less than traditional homes.



Latest data release: December 22, 2009

Source: National Association of Realtors

Inventory – *Number of homes available for sale*

In Millions



The supply of homes is now at the lowest level in almost three years. The supply of existing homes for sale at the end of November declined 1.3 percent to 3.52 million, representing a 6.5-month supply at the current sales pace, down from a seven-month supply in October. Generally, a six-month supply is considered balanced. Compared to a year ago, there are now 15 percent fewer homes on the market.



Latest data release: December 22, 2009

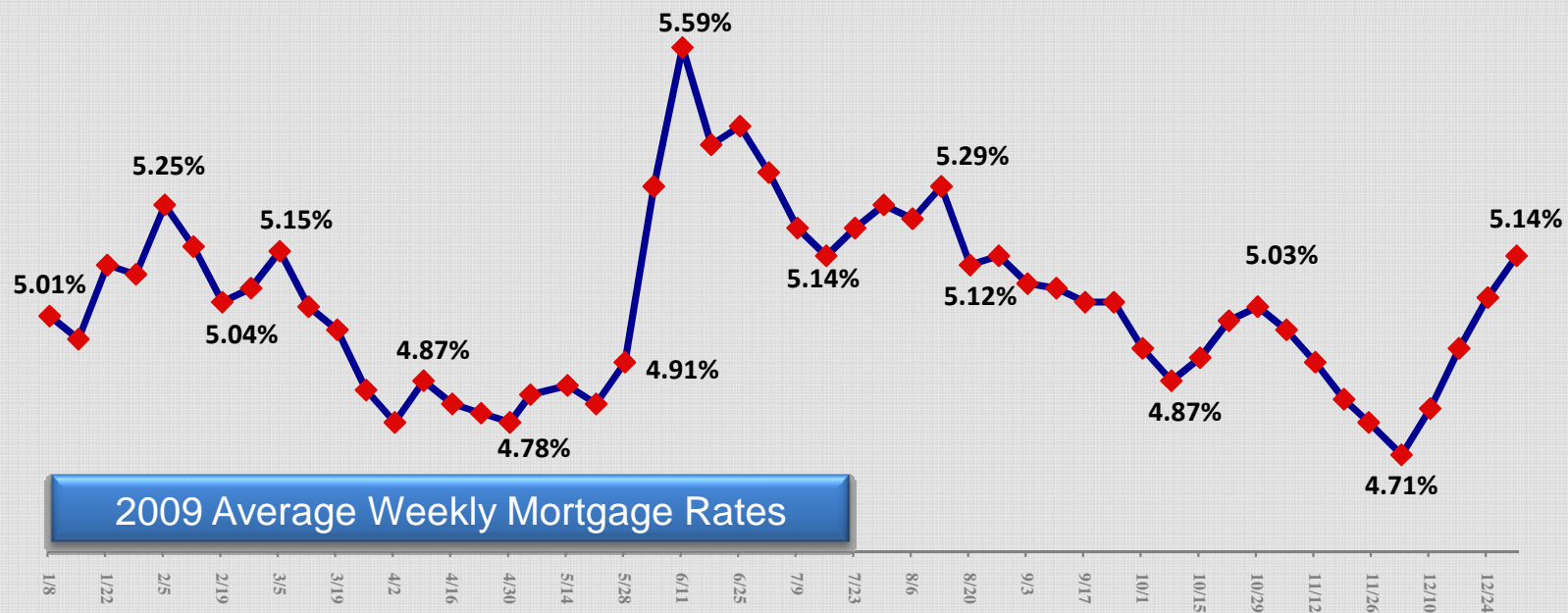
Source: National Association of Realtors

Mortgage Rates

30-Year Fixed



Mortgage rates have begun to inch back up as government support runs its course and interest rates rise. On December 24, the average 30-year fixed-rate mortgage was 5.05 percent, the first time it has gone above 5 percent since the end of October. According to Amy Crews Cutts, deputy chief economist at Freddie Mac, “Extraordinary resources have been put into keeping the rates down and supporting the mortgage market, and it’s hard to imagine that the rates can go much lower than they are.”

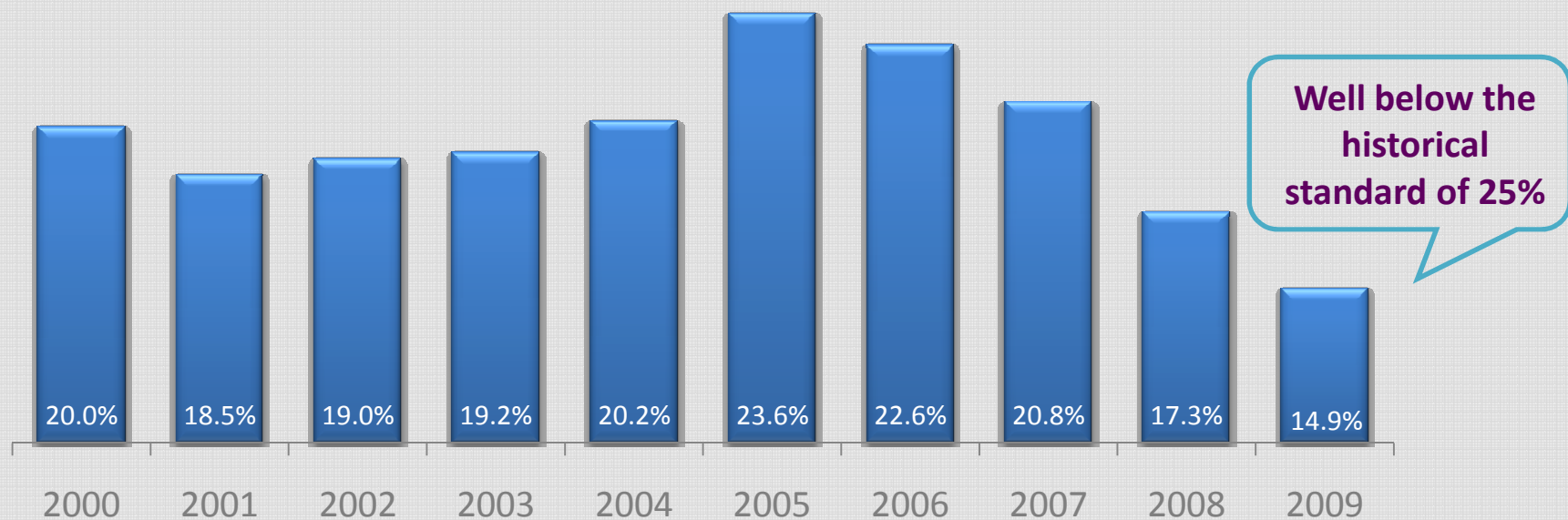




Affordability - *Percentage of Income*

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

Affordability continues to be at a record level thanks to unprecedented interest rates, low home prices, as well as the first-time buyer tax credit. So far this year, the home price-to-income ratio has fallen well below the historical average of 25 percent. The ratio now stands at 15 percent.



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

Source: National Association of Realtors



Recent Government Action

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Residential Retrofit Program

December 2009

Vice President Biden recently announced a program called “Recovery Through Retrofit.” In addition to creating energy performance labels, it will create national energy performance measures for existing homes.

It will provide the following:

1. Access to home energy retrofit information
2. Access to financing for retrofits
3. Access to trained professionals to perform the retrofit



The goal of the initiative is to create more energy efficiency in homes to benefit the country's energy consumption. Retrofits include but are not limited to energy efficient heating, cooling, and water systems, insulation, roofing, flooring, windows, and solar panels.

Cash for Clunky Appliances

December 2009

In efforts to vamp up energy efficiency, the federal government is implementing a rebate program for appliances. People can swap in their old “clunky” appliances for new energy-efficient ones, saving electricity and saving on monthly bills.

A 20-year-old fridge can use three times as much energy as a new Energy Star-approved fridge. The age of your appliances impact your actual savings, so check into it before purchasing.



Important things to know:

- 1. Plans vary by state.** Check out energysavers.gov for details.
- 2. Buy before it ends.** Like the car rebate program Cash for Clunkers, this program has a set amount of federal money allocated to it. Once the \$300 million is gone, the program will likely end. It is expected to run out quickly.

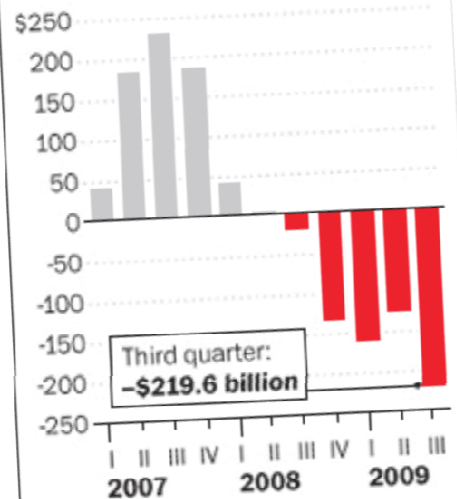
Government Calls for Increased Lending by Banks

December 15, 2009

Banks lending less

Last quarter lending reach its lowest level since 2006.

Quarter-to-quarter changes in the amount lent by FDIC-insured institutions, in billions



Source: FDIC

The Washington Post

According to the FDIC, lending has fallen for five consecutive quarters – even though banks have become profitable again and have started to repay government loans. Banks lent \$600 billion less from September 2008 to September 2009, representing a 7 percent decline. Banks site a lack of qualified borrowers as the primary reason and point to the trend of decreased borrowing during recessions.

The goals of banks and the government appear to be in line now with each bank representative talking about getting aggressive with small business lending over the next year. Goals for 2010 small business lending include \$5 billion for Bank of America and \$4 billion for Chase.

As banks continue to be profitable, they can be expected to use the proceeds to repay the government as well as increase their efforts to make good loans. Small business owners should expect an increase in the amount of loans available during 2010 compared to 2009. Holding true to the trend in 2009, a good credit score and steady employment will likely continue to be important conditions of obtaining a mortgage.

Fannie & Freddie Get Unconditional Federal Support

December 24, 2009

On December 24, the government announced it will provide unconditional financial support to Fannie Mae and Freddie Mac. This will expire in 2012, after which the firms will have approximately \$290 billion allocated to them.

- **September 2008:** Bush administration took over Fannie Mae and Freddie Mac at the height of the financial crisis and promised \$200 billion to keep them afloat.
- **Earlier in 2009:** Obama doubled the \$200 billion to \$400 billion.
- **December 24, 2009:** The president announces the government will provide unconditional financial support to Fannie Mae and Freddie Mac for 2010-2012.
- **December 29, 2009:** Analysts predict that Fannie and Freddie will begin purchasing delinquent loans.

These two institutions play an integral role in both the housing and lending industries.

- When a bank makes a conventional mortgage loan, it will then sell that loan to Fannie Mae or Freddie Mac.
- This frees up the bank to then make more loans and repeat the process.

When Fannie and Freddie stop buying mortgages from the banks, mortgage credit freezes, banks stop lending, and houses can't sell. Such was the case last year at the height of the credit crisis. Confidence in these firms is a key component to the flow of credit and this unconditional financial support intends to bolster that confidence.

Despite the short-term unconditional federal support, experts say it is critical for the real estate industry, the lending industry, and the economy that these companies keep their long-term vitality in mind over the next three years.





Topics for Home Buyers, Sellers, and Owners

**Tips to Save Energy
and Add Value** 15

**Making Maintenance
Routine** 16

Brought to you by:
KW Research

Tips to Save Energy and Add Value

When it comes to energy efficiency, look for smart features and expertise to help you save energy and money *and* add value to your home.

1. **Begin with a right-sized home.** If the home you buy is simply too large for you or your family's needs or plans, you stand a good chance of wasting energy through excessive heating and cooling costs. If it's too small, you'll feel cramped and uncomfortable. It's a big investment, so seek balance and buy it "right" from the outset.
2. **Purchase ENERGY STAR appliances** such as your TV, dishwasher, washer and dryer, and microwave. And especially the refrigerator, as it alone contributes about 10 percent of the energy use in a home. Also, unplug electronics not in use or turn off power strips to avoid phantom charges.
3. **Install efficient lighting** such as compact fluorescent (CLF) or LED bulbs in every fixture. Lighting accounts for about 6 percent of an energy bill each year.
4. **Get an energy audit** and have tests performed to identify ways of improving your efficiency. You can always upgrade your heating, ventilation, and air conditioning (HVAC) system as well as your thermal envelope, which includes insulation, windows, and doors and the seals or weather-stripping around them.
Visit energy.gov/energytips for more tips.



Making Home Maintenance Routine



Home ownership has its wonderful benefits, and as one of the single biggest financial assets many people own, preparing, planning, and making home maintenance a routine are important.

Personal finance experts recommend setting aside at least 1 percent of your home price each year in a separate account for maintenance and repair costs.

Automatically deducting the funds from your paycheck or automatically transferring it between accounts each month can make this easy. Some years homeowners will have less than 1 percent in maintenance costs or repairs and some years they will have more. When something big and unexpected happens; for example it's finally time to replace the roof; this will provide the financial cushion to take care of it and the peace of mind knowing one of their biggest assets is well taken care of.

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 74,175 associates and 693 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. The company provides associates with all the tools needed to grow and thrive in today's market.

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