

This Month in Real Estate

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Team Baranowski, Keller Williams Emerald Coast

850-259-1788 | 850-259-4270 | southwaltonluxuryhomes.com

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Green Shoots of Recovery



Predictions by the Keller Center at Baylor University appear to be on target. A poll of 840 economists last year suggested the housing market would recover this year with a slow rejuvenation in sales, strengthening prices and mortgage rates staying relatively steady for the year. Approximately 75% of economists predicted that the market would bottom at the end of this year. More than half expected a bottom by the second quarter of 2009.

Pending home sales, a leading indicator for the housing sector, recorded the largest monthly gain since October 2001. Favorable market conditions continue to encourage buyers into the market. Housing affordability remains in record territory with 30-year mortgage rates hovering around 5%, home prices approximately 30% below levels seen during the 2006 peak, and an abundance of homes on the market. A rise in construction spending on the back of increasing builder confidence and the slowing rate of job losses are also pointing toward a possible turnaround.



Green Shoots of Recovery



First-time buyers continue to drive activity to the benefit of trade-up or repeat buyers. Their flurry of activity owes much to the \$8,000 first-time buyer tax credit. In April first-time buyers accounted for 40% of all home sales, and the trend is expected to spur more activity in the coming months. “Since first-time buyers must finalize their purchase by November 30, 2009, to get the credit, we expect greater activity in the months ahead, and that should spark more sales by repeat buyers,” according to Lawrence Yun, NAR chief economist.

A recent change this month allows qualified first-time home buyers to use the tax credit to help pay closing costs on FHA loans or to buy down the interest rate or make a larger down payment.

Keller Williams Research

The Numbers That Drive Real Estate





Home Sales

In Thousands

Existing home sales rose for the third straight month, building on gains in the previous two months. While first-time buyers continue to be an important driving force in the housing recovery, more repeat home buyers are entering the market, indicating rising confidence in the market conditions.



Latest data release: May 27, 2009

Source: National Association of Realtors

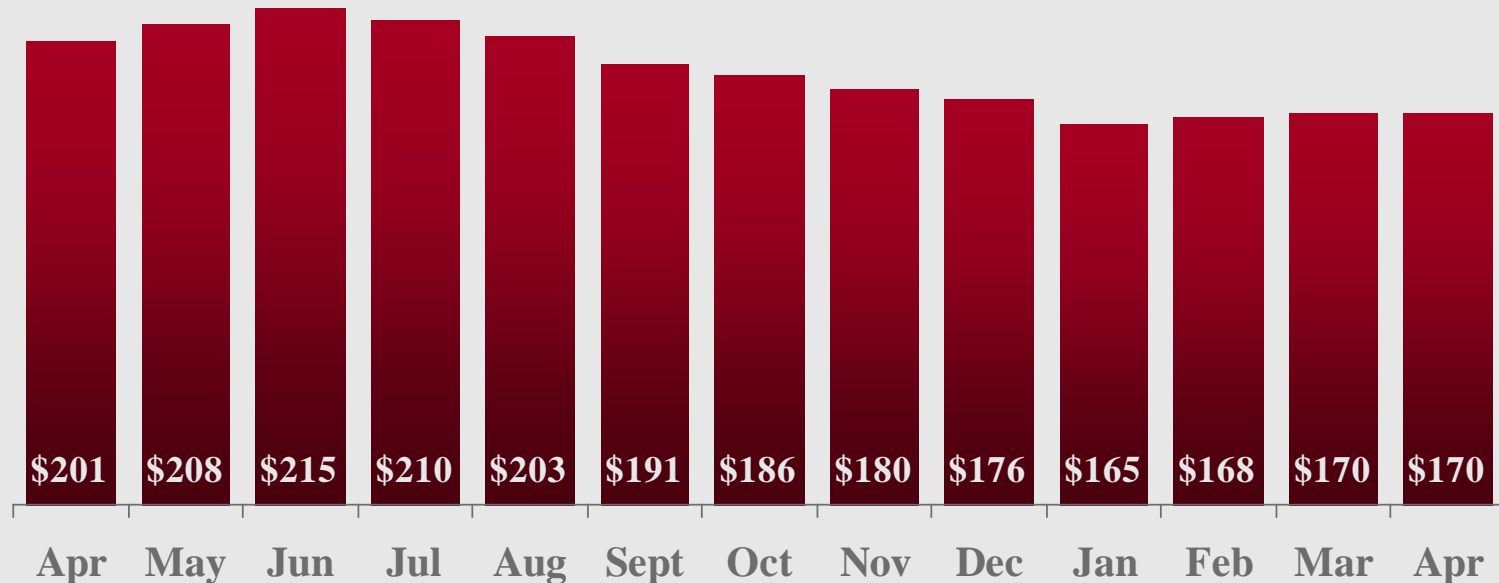
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Median Home Price

In Thousands



Home prices edged up 0.2% over the previous month, adding to increasing signs of market stabilization. However, prices are still lower than the same time a year ago. Foreclosures and short sales, which accounted for 45% of April sales, continue to skew the median price downward, as these properties are typically sold at a larger discount in comparison to traditional sales. Distressed sales, however, are helping the market trim off considerable stock of unsold homes in areas with large inventory overhangs.



Latest data release: May 27, 2009

Source: National Association of Realtors

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Inventory - In Millions

Number of homes available for sale



There are 13% fewer homes on the market than the same time last year. The number of homes on the market did increase from the previous month, but this is typical as more sellers tend to enter the market during the spring and summer months.

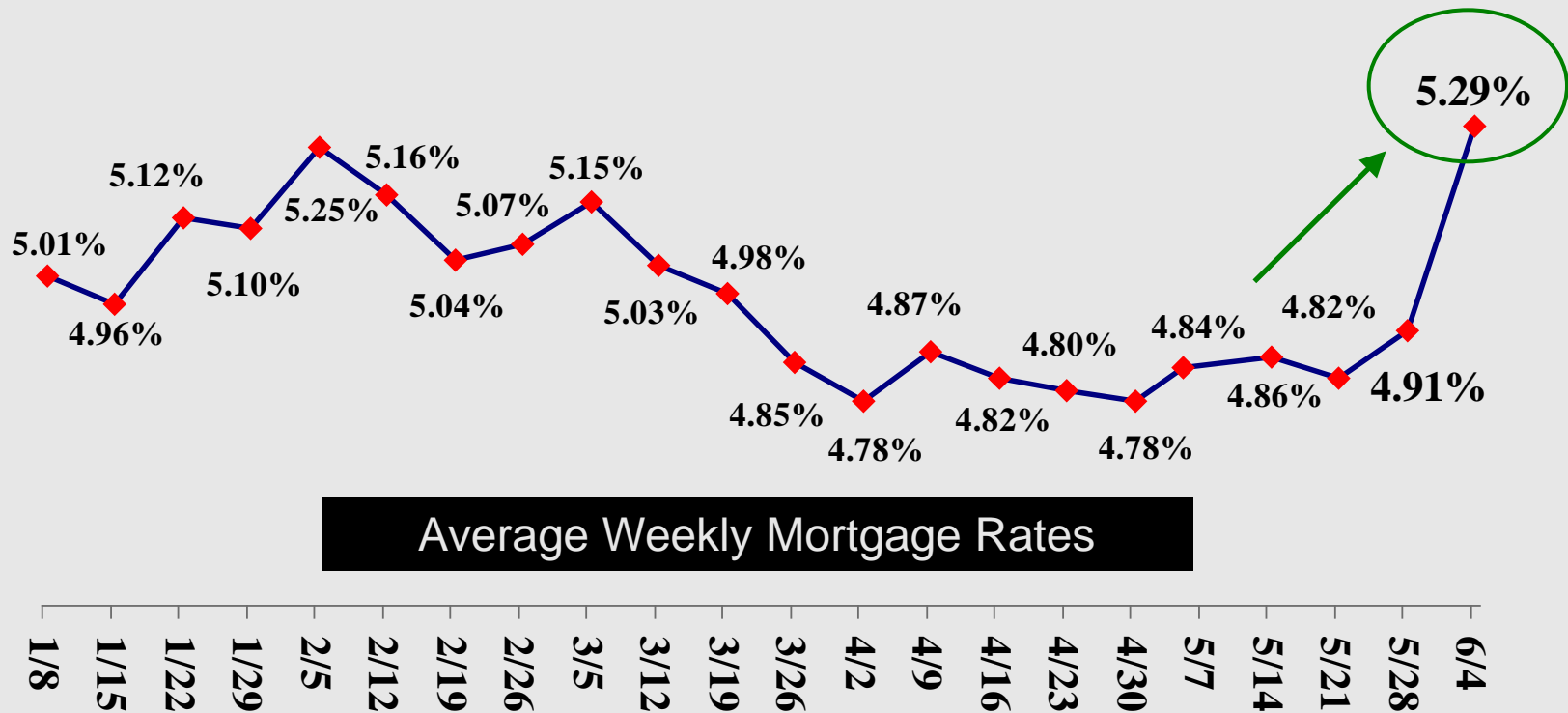


Mortgage Rates

30-Year Fixed



Mortgage rates increased to a twenty-five-week high of 5.29% in the first week of June. This is the highest weekly rate for 30-year fixed rate mortgages so far this year, but it is still significantly lower than the 6.09 rate the same time last year.



Average Weekly Mortgage Rates

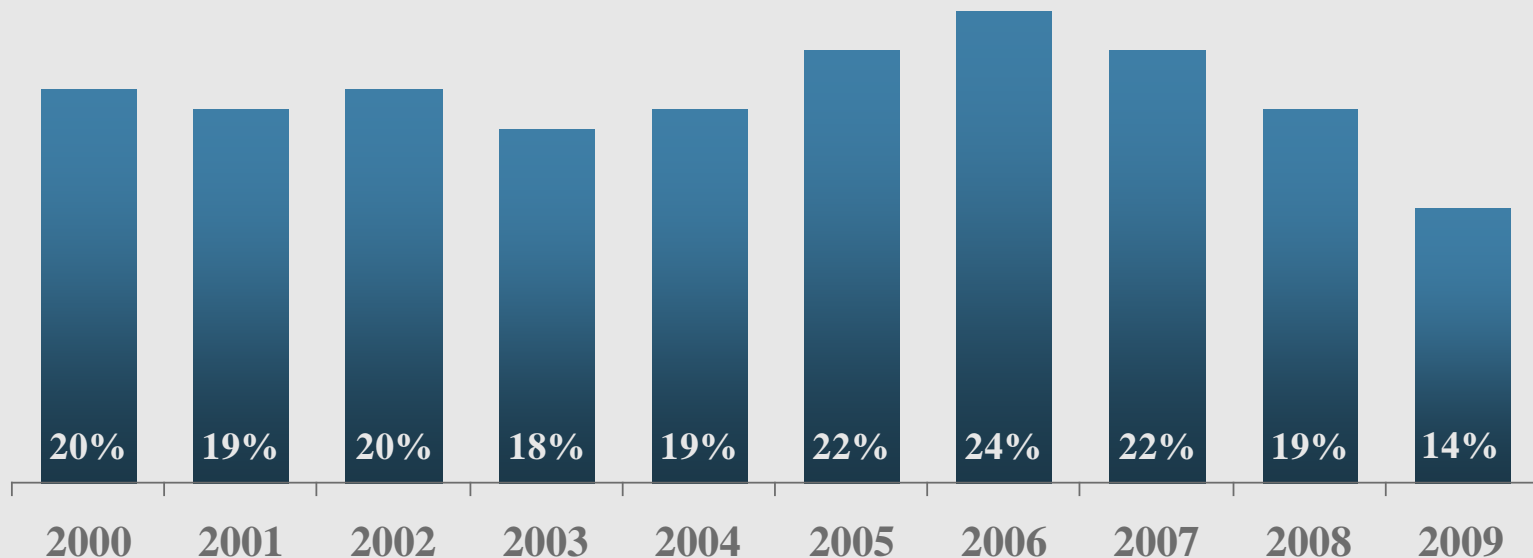


Affordability - % of Income

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

Low mortgage rates and home prices, the \$8,000 tax credit, and a large stock of homes on the market are continuing to contribute to favorable buying conditions. Housing affordability continues to remain at record levels. The median mortgage payment now consumes 14% of family income in comparison to 19% a year ago.

% of Income Required for Mortgage Payments on a Median-Priced Home



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

Source: National Association of Realtors

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Recent Government Action



Credit Card Bill Signed to Protect Consumers

May 22, 2009



On May 22, President Obama signed the Credit Card Act of 2009, which will change the way credit card companies do business. This law should restrict credit card issuers from arbitrarily raising rates without notice, penalizing customers who pay on time and charging excessive fees. It also seeks to protect young adults from predatory credit practices. To get a credit card, anyone under the age of 21 will need proof of sufficient income to cover the credit obligations or have a parent, guardian, or spouse cosign.

Here are some key provisions:

- Borrowers must be at least sixty days late for the company to raise rates on existing balances
- Original rates are resumed if borrower pays on time for next six months
- Forty-five-day notice is required to raise interest rates

This law will take effect in February 2010.





Tax Credit Can Now Be Used for Closing Costs

May 29, 2009

First-time home buyers can now access cash to help them finance their home purchase through FHA-approved lenders.

Buyers must still come up with at least a minimum 3.5% down payment, which can be a gift from a family member, employer, or nonprofit, charitable organization.



While the funds cannot go toward the minimum down payment requirement, they can be used to lower monthly payments by buying down interest rates, increasing the down payment to lower the monthly payment and build up equity or using the funds toward closing costs.

Find out more here:

http://www.realtor.org/home_buyers_and_sellers/2009_first_time_home_buyer_tax_credit

Research for Buyers and Sellers



Homeowners Continue to Reap Tax Advantages

Many of the costs of owning a home are deductible from individual federal income taxes.

- 1. The Purchase** - Loan discount points and mortgage origination fees charged by the lender are deductible.
- 2. Interest Payments** - The interest portion of the monthly payment is deductible. Interest on up to \$100,000 of home equity loans is deductible.
- 3. Local Property Taxes** - Property taxes paid to the local government are deductible.
- 4. Capital Gains** - When you sell your home, you do not have to pay taxes on the gains from your sale if you've owned your home for at least two of the five years before the sale. *(There is a \$500,000 limit for married individuals and \$250,000 limit for single homeowners.)*



5 Feng Shui Concepts to Help a Home Sell

To put the best face on a listing and appeal to buyers who follow feng shui principles, keep these tips in mind.

1. Pay special attention to the front door, which is considered the “mouth of chi” (chi is the “life force” of all things) and one of the most powerful aspects of the entire property. Abundance, blessings, opportunities, and good fortune enter through the front door. It’s also the first impression buyers have of how well the sellers have taken care of the rest of the property. Make sure the area around the front door is swept clean, free of cobwebs and clutter. Make sure all lighting is straight and properly hung. Better yet, light the path leading up to the front door to create an inviting atmosphere.



2. Chi energy can be flushed away wherever there are drains in the home. To keep the good forces of a home in, always keep the toilet seats down and close the doors to bathrooms.

5 Feng Shui Concepts to Help a Home Sell



3. The windows are considered to be the eyes of the home. Getting the windows professionally cleaned will make the home sparkle and ensure that the view will be optimally displayed.
4. The dining room symbolizes the energy and power of family togetherness. Make sure the table is clear and uncluttered during showings. Use an attractive tablecloth to enhance the look of the table while also softening sharp corners.
5. The master bed should be in a place of honor, power, and protection, which is farthest from and facing toward the entryway of the room. It's even better if you can place the bed diagonally in the farthest corner. Paint the room in colors that promote serenity, relaxation, and romance, such as soft tones of green, blue, and lavender.

Source: Sell Your Home Faster with Feng Shui by Holly Ziegler

South Walton 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 South Walton.

Talk to Craig or Tracy Baranowski with Team Baranowski for assistance interpreting the conditions in South Walton.

Team Baranowski is equipped with all the knowledge and information to help navigate you through the process of buying or selling a home in this challenging market.



Craig or Tracy Baranowski
850-259-1788 | 850-259-4270
info@teambaranowski.com
southwaltonluxuryhomes.com
distressedpropertyexpert.net