

# **This Month in Real Estate**

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# Green Shoots of Recovery



## **US housing market seeing growing light at the end of tunnel**

The end of the meltdown may be in sight, but the long road to recovery will likely be a long one. The last 24 months have been a rough ride for the US housing market. Thankfully, federal regulation and fiscal policy have been effective in easing the impact of the great recession. And now many experts are citing encouraging signs that are driven by the summer seasonality of the housing market but may also point to stability. Take existing home sales, for example, which have increased for the fifth consecutive month. Also on the rise are home prices, an all-important indicator of stability. In today's battered market, rising home prices translate to a more balanced supply and demand picture.

By all indications, the market still represents opportunity. The \$8,000 first-time buyer tax credit is set to expire at the end of November, but remains a powerful incentive. While first-time buyers are active, more repeat buyers are also taking advantage of favorable mortgage rates and better prices. These two broad groups of buyers are absorbing excess inventory. Mortgage rates, which now sit between 5-5.5% range, are slightly above the record low of 4.78%. Thus they are still very favorable and represent an historic opportunity for qualified potential buyers. The housing affordability index also remains very strong, as prices are adjusted to levels not seen since the mid-2000s.



# Green Shoots of Recovery



The overall U.S. economic scene looks a bit brighter as GDP figures came in better than expected for the second quarter. The economy declined at a pace of just 1% over the past quarter, a great improvement from the first quarter's decline of 6.4%. Economists point to this a potentially strong signal that the longest recession since World War II is finally beginning to wind down. Looking forward, the GDP is expected to return to positive territory in the third quarter and increase further in the fourth quarter.

An increasing trend is American consumers' movement toward real savings. Last month alone, the U.S. savings rate hit 4.6%, a marked change from the negative to 0% savings rate for the entire decade. Economists consider a savings rate of 5% beneficial for the long-term viability of the economy and housing market. With increased savings, lower consumer spending could result in a slower recovery, but might lay the foundation for sustainable growth in the future. With limited prospects of new job growth, unemployment will continue to remain in focus as the best indicator of broader recovery.

**Keller Williams Research**

# The Numbers That Drive Real Estate

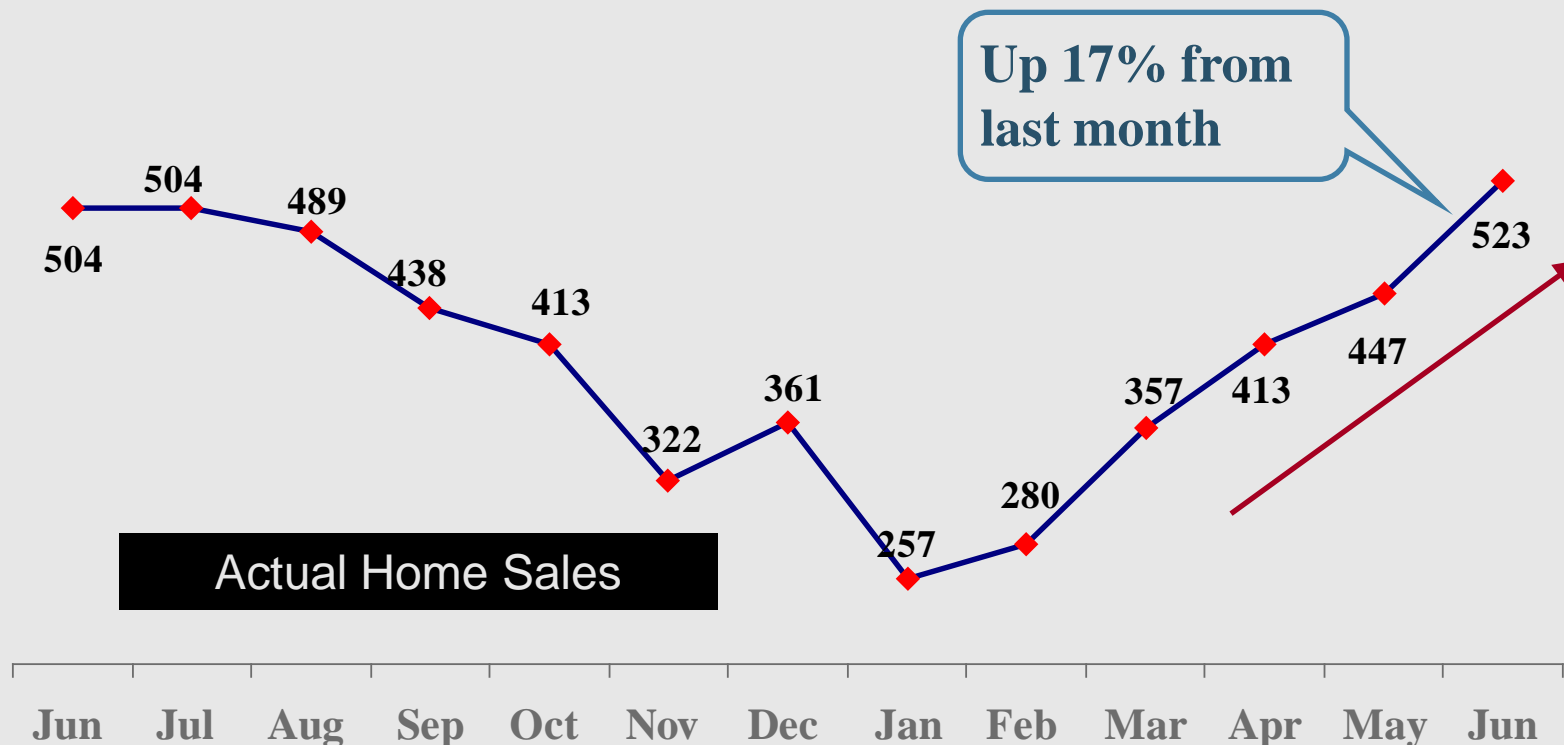




# Home Sales

## In Thousands

June marked the five-month streak of increase in existing home sales. The \$8,000 tax credit continued to be a huge boon to first-time buyers, who accounted for 29% of all transactions in June, unchanged from May. Repeat buyers, who often sell their current house to first-time buyers, continue to capitalize on historically high affordability conditions.



Latest data release: July 23, 2009

Source: National Association of Realtors

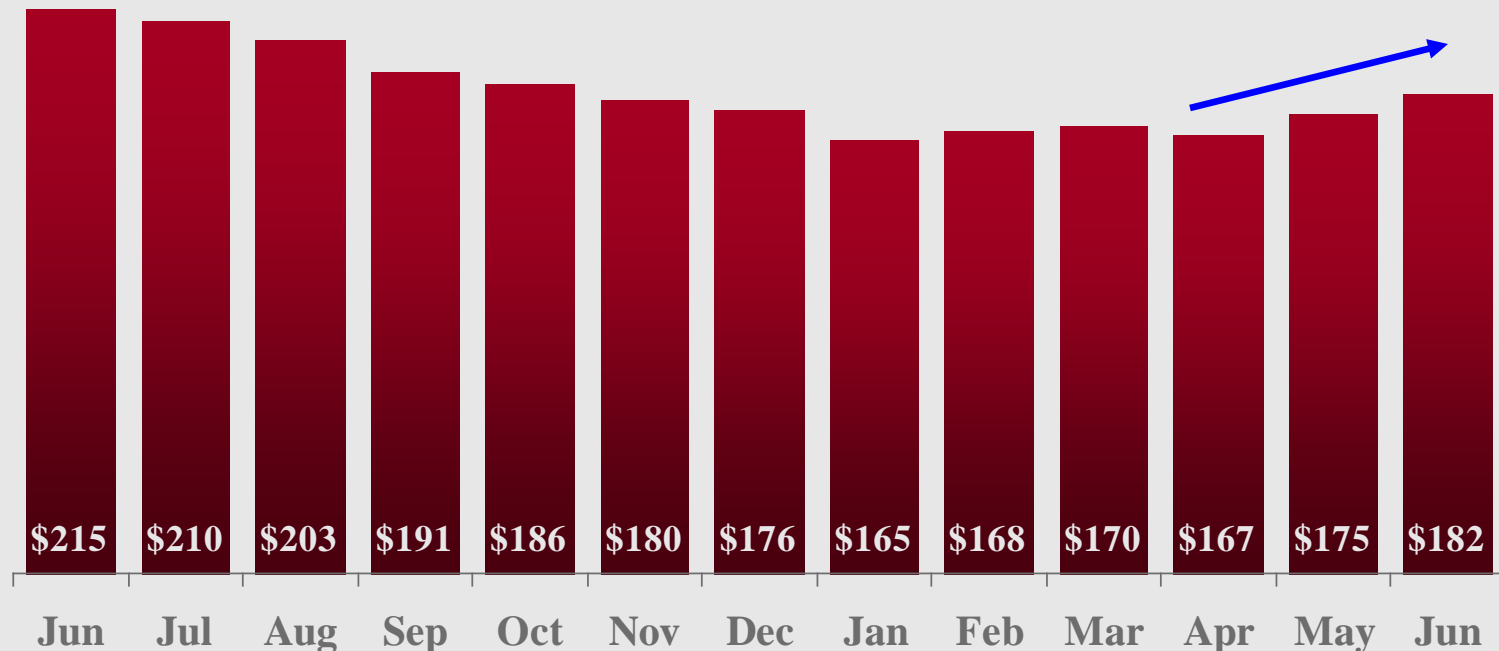
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# Median Home Price

## In Thousands



Existing-home price rose for the second straight month. Standing at \$181,800, home price is up 4.1% from last month but still down 15.4% from the same time last year. Distressed sales, which accounted for a smaller 31% of all sales in June, continued to downwardly distort the median price. However, an increase in number of repeat buyers provided some relief to the downward pressures.



Latest data release: July 23, 2009

Source: National Association of Realtors

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# Inventory - In Millions

Number of homes available for sale



Housing inventory at the end of June fell 0.7% to 3.8 million, representing a considerably lower 9.4-month supply at the current pace of sales compared to a 9.8-month supply in May. A steady rise in home sales over the past five months and recent efforts by Fannie Mae and Freddie Mac to address the appraisal issue bode well for further absorption of housing inventory in the coming months.

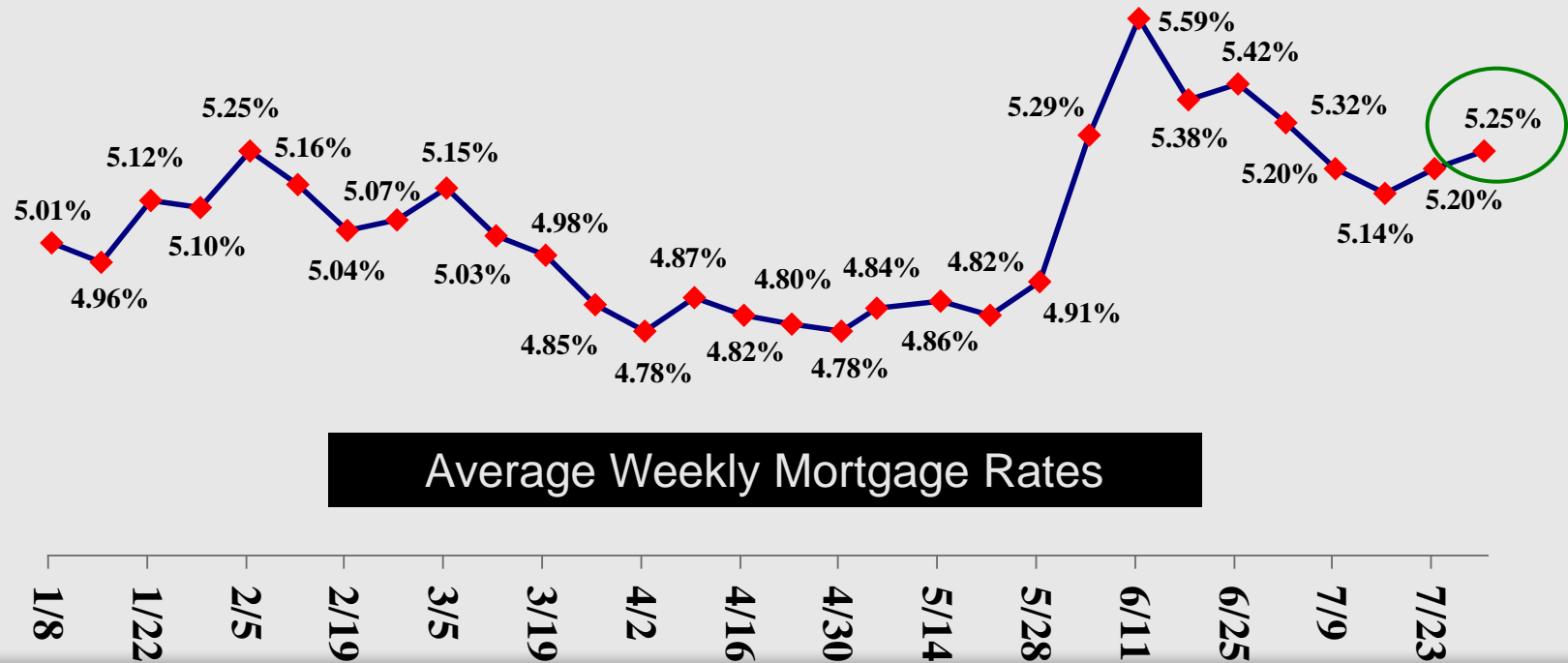


# Mortgage Rates

## 30-Year Fixed



Average rates for 30-year mortgages was 5.25% in the last week of July, up from 5.2% the previous week but still well below the 6.52% seen a year ago. Mortgage rates rose as bond yields, which are closely tied to mortgage rates, edged slightly higher on market optimism that the economy may be stabilizing.



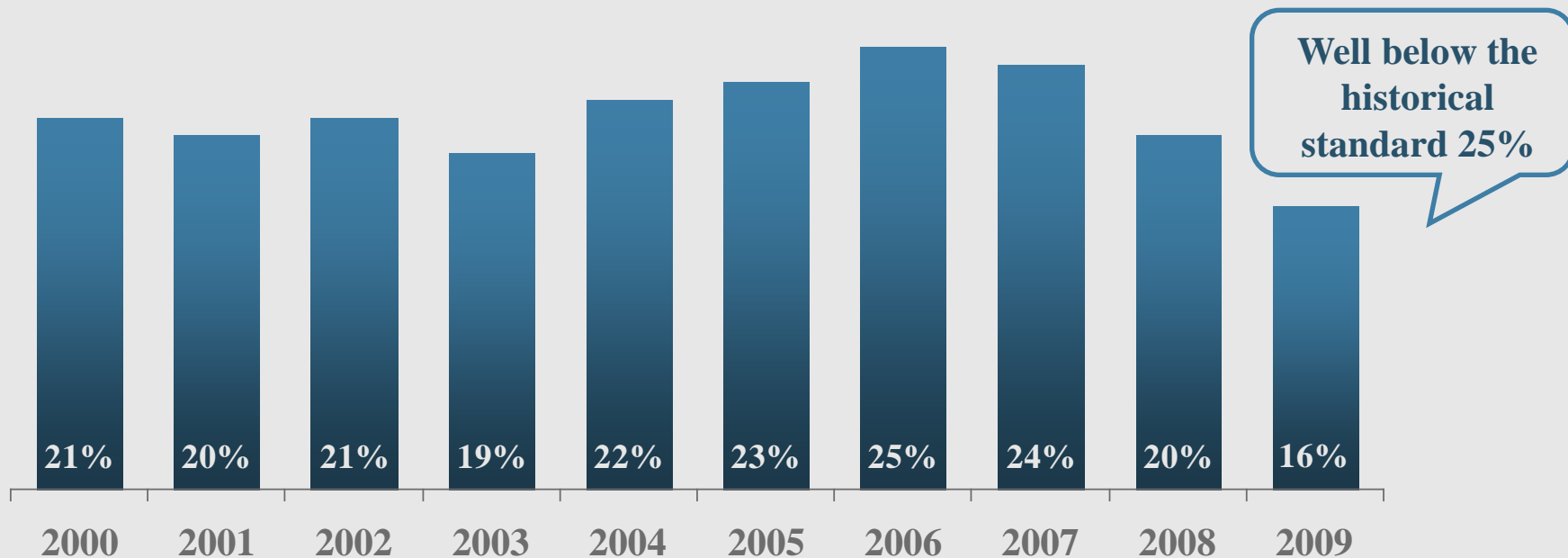


# Affordability - % of Income

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

Housing affordability condition remains extremely favorable. NAR's Housing Affordability Index, while declining modestly in June, was still the sixth-highest index on record dating back to 1970. With a 20% down payment and 25% of gross income committed to mortgage principal and interest, a median-income family earning \$60,700 could now afford a home costing \$289,100 at the current interest rate, well above the median existing-home price of \$181,800.

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



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

Source: National Association of Realtors

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# Recent Government Action



# Key Modification to Loan Modification Program

July 2009



Since the beginning of the government foreclosure prevention program, Making Home Affordable, there have been several amendments extending its reach to increasing numbers of struggling homeowners. The latest development now extends the program's arm to welcome not only mortgages held by Fannie Mae or Freddie Mac but also FHA.

Preventing foreclosures remains just as important to economic and housing stability as it was when the program first began in March, especially as the most telling indicator of foreclosure levels, the unemployment rate, is likely to remain high into 2010. Helping troubled homeowners avoid foreclosure remains a key component to continued firm footing for the housing market and economy. This is a good sign with positive implications for home buyers and sellers.

# Agents Can Play a Vital Role in HVCC Issues

July 2009



Recent upheavals in the appraisals arena and the new Home Valuation Code of Conduct (HVCC) are contributing to sales falling through.

According to the National Association of REALTOR's® (NAR) Appraisal Survey in June 2009, 37% of home buyers and sellers have experienced at least one lost sale as a result of the new HVCC. The report also pointed to:

- Higher Fees
- Lower Quality
- Longer Wait

In response to the widespread concern that the problem, if not quickly corrected, can dampen recovery hopes, the Federal Housing Finance Agency, Fannie Mae, and Freddie Mac issued guidance on two key provisions:

- Lenders should use appraisers who have clear experience in the geographic area.
- Appraisers are not prohibited from talking to real estate agents.

Meanwhile, NAR continues to push for an eighteen-month moratorium on the code to further address unintended consequences and allow the housing market to regain its foothold.

If the value comes in less than expected and threatens to derail the contract, real estate agents, unlike lenders, are permitted to pursue discussions with the appraiser. An agent that has local market expertise is more important than ever in helping consumers navigate the home buying or selling process.

# Increased Consumer Protection May Delay Closing

July 2009

The Federal Reserve's changes to the Truth in Lending Act, also known as Regulation Z, went into effect July 31. The revisions were intended to enhance consumer protection but could delay closings by a few days.



Key changes include:

1. Borrowers must receive good faith estimates seven business days before the loan is made, allowing for exceptions for “bona fide emergencies.”
2. If the actual APR varies significantly from the good faith estimate, it must be redisclosed at least three business days before the loan can be made.

While it is critical for consumers to understand the terms of their loan before closing, it is also important to be aware that if the APR changes substantially from the good faith estimate near the closing, the new regulations could cause delays. It is especially significant for first-time buyers purchasing under the tax credit deadline of November 30. Buyers should also keep this in mind when making moving arrangements.



# First-Time Home Buyer Tax Credit

July 2009

According to a report by the National Association of Realtors, Congress will not revisit expiring tax measures, including the First-Time Home Buyer Tax Credit, until health care reform has been put to rest. This likely will not occur until October.

Senators Isakson and Dodd have raised the issue of amending or extending the First-Time Home Buyer Tax Credit. However, as of today there have been no successful steps taken to do so thus far. As a result, many first-time home buyers that were holding off purchasing based on the possibility of future discussions are now taking action.

Buyers wishing to beat the November 30 deadline should consider the time involved with finding a home, negotiating an offer, the appraisal process, and closing process. Speaking with a local Realtor will help consumers understand how many weeks, or in some cases months, to expect when purchasing a home.



# Research for Buyers and Sellers



# FHA Loans: A Boost to Home Affordability

FHA loans are insured by The Federal Housing Administration, which is a part of the U.S. Department of Housing and Urban Development (HUD). Ginnie Mae is to FHA loans as Fannie Mae and Freddie Mac are to conventional loans.

FHA loan programs provide help to creditworthy, low-to-moderate income families that do not meet the requirements for other conventional financing alternatives. They are typically **easier to obtain** than conventional loans for those with spotted credit.

The government-backed insurance **lowers the risk and cost of lending**, typically resulting in lower interest rates for consumers than they would receive with other types of financing.

The **minimum down payment** for FHA loans is only **3.5%**. This makes FHA loans an attractive option for aspiring homeowners lacking large sums of cash especially since tightened lending conditions have brought back the 20% down payment standard.

For more information on FHA loans, check out <http://www.hud.gov/offices/hsg/sfh/fharesourcectr.cfm> or speak with a lender.

# Types of FHA Loans

There are several FHA loan programs that cover an assortment of needs.

## FHA-Insured Mortgage Programs:

1. 203(b) – Buyers with low down payment and little credit history
2. 203(h) – Disaster victims
3. 255 – Reverse mortgages
4. 203(k) – Rehabilitation mortgages
5. EEM – Energy-efficient mortgage program
6. 248 – Native American reservations
7. Title I – Home improvements

For more on these programs, check out

<http://www.hud.gov/offices/hsg/sfh/insured.cfm>.

# Enhance Your Home's Marketability

In a buyer's market, staging can give sellers the edge they need.

According to the Real Estate Staging Association (RESA), marketed vacant and occupied homes once staged spent **85%** and **89%**, respectively, less time on the market than if they were unstaged.

## Vacant Homes

Marketed vacant homes that were previously unstaged were not sold after **190** days on the market. Once staged, those homes only took **28** days to sell.

## Occupied Homes

Marketed occupied homes that were previously unstaged were not sold after **57** days on the market. Once staged, those homes only took **6** days to sell.

# Enhance Your Home's Marketability

Staging can help enhance a home's marketability by:

- Enhancing photographs for print and online advertising
- Enticing buyer agents to show the home
- Encouraging potential buyers to take a second look
- Making the home appear well maintained and “move-in ready”

For more on staging, check out <http://www.realestatestagingassociation.com>

Have you had great experiences with staged homes?

We want to see your before-and-after staging shots!

Send them to [Research@kw.com](mailto:Research@kw.com).

# 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.



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