

This Month in Real Estate

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Green Shoots of Recovery



Some economists believe that the almost two-year-long economic recession ended in June, and they're forecasting a return to growth in 2010. So while the encouraging news points to prosperity ahead, the overall economy may continue to run into some road bumps along the way. In the meantime, the strengthening housing market indications bode well, as buyer confidence is increasing with affordability playing a big role.

Looking at existing home sales, the July numbers far exceeded expectations. In fact, for the first time in five years, existing-home sales have increased for four months in a row. That's a lot of activity. So who's buying, and what are they buying? First-time buyers continue to pace the market. They purchased 30% of homes in July. And distressed homes accounted for 31% of overall transactions.

The numbers indicate critical activity is occurring at the bottom of the property ladder, and this activity is triggering much-needed trade-up transactions. With the gains in sales, excess inventory continues to be absorbed. And with rosier economic forecasts for 2010, "the buyer psychology may be shifting from, 'Why buy now when I can purchase later,' to 'I don't want to miss out on a recovery,'" said Lawrence Yun, NAR chief economist.



Green Shoots of Recovery



- An additional positive factor is the continued stabilization in housing prices. While prices are lower than they were at this time in 2008, home prices have risen from where they stood at the beginning of 2009. And that's great news. As the prices hold more firmly, creditworthy borrowers are acting quickly to lock in near historically low mortgage rates. These rates, coupled with excellent affordability, make for an impressive buying opportunity for savvy investors sitting on the sidelines. "As long as home buyers stay within their budget, mortgage payments will be very manageable," Yun said.

On the broader economic front, while unemployment remains a major concern, the government has had solid success with its spending programs. The first-time home buyer tax credit and cash for clunkers automobile programs are considered great consumer successes. Additionally, a proactive Federal Reserve is working to keep interest rates at low levels as long as necessary. So while high unemployment will weigh on the economy for some time to come, governmental action, economic expertise, and time should deliver us to greener returns in the months to come.

The Numbers That Drive Real Estate

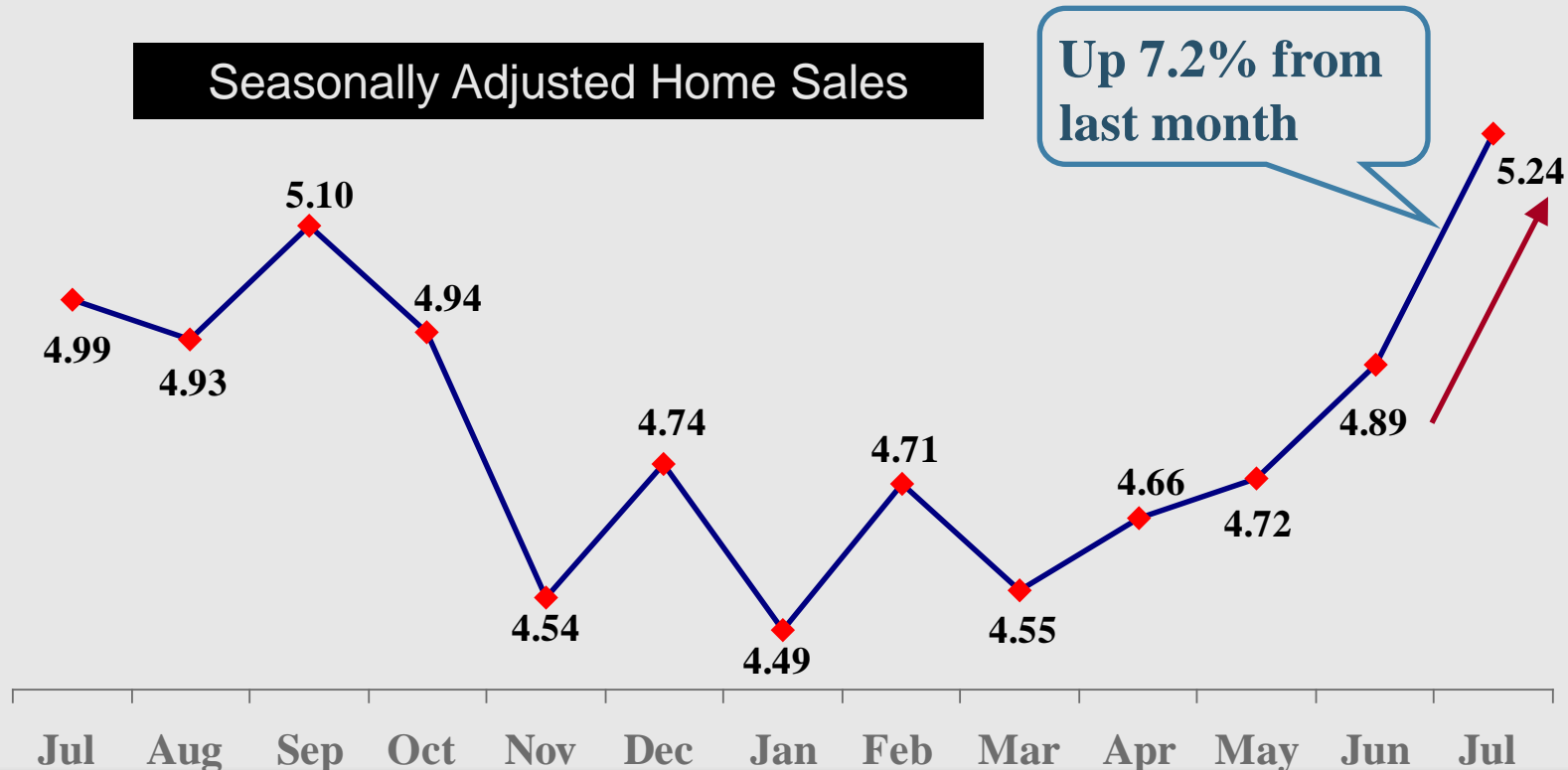




Home Sales

In Millions

Existing home sales rose 7.2% to an annual rate of 5.24 million in July, marking the first time in five years home sales have increased for four consecutive months. The monthly gain was also the largest on record since 1999. First-time home buyers, who accounted for 30% of all home sales in July, continue to be the driving force for the housing market's recovery.



Latest data release: August 21, 2009

Source: National Association of Realtors

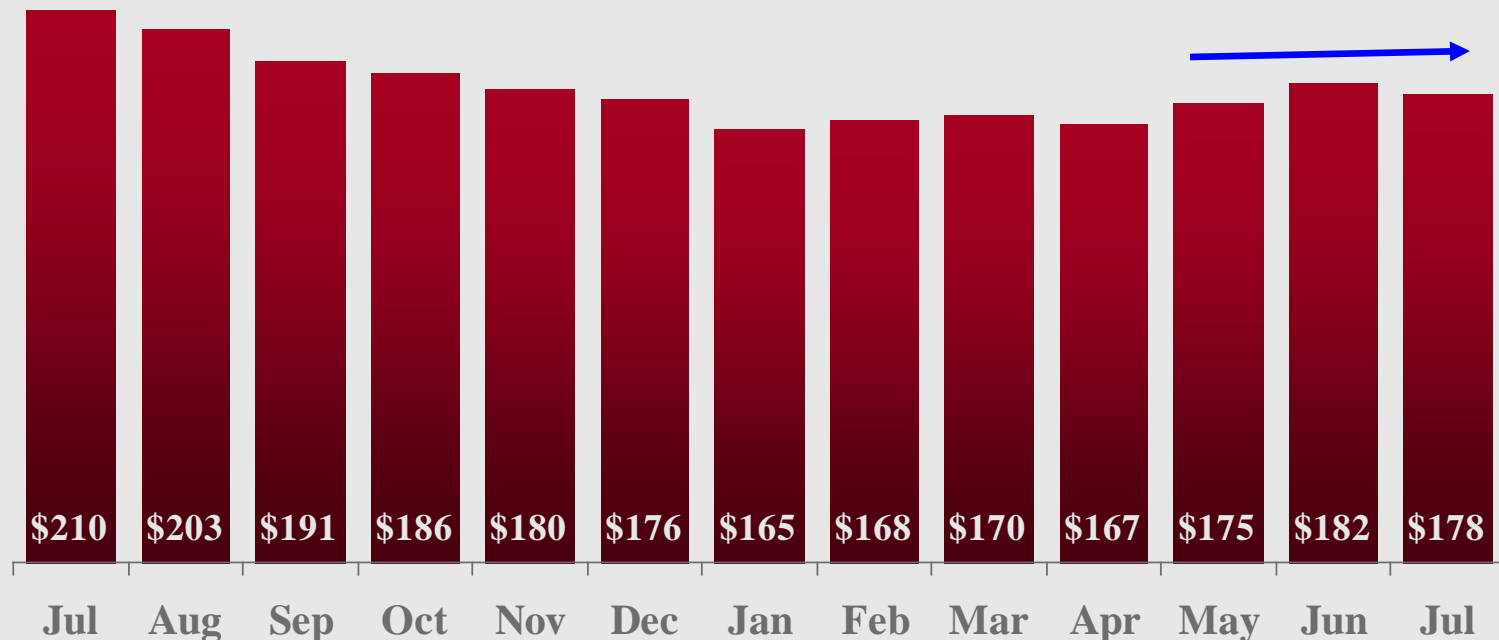
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Median Home Price

In Thousands



Existing-home price was \$178,400 in July, an 8% bounceback from its low in January but still 15.1% below the level seen last July. Distressed properties, which accounted for 31% of all transactions in July, continue to put downward pressure on home price as they typically sell for 15-20% less than traditional homes.



Latest data release: August 21, 2009

Source: National Association of Realtors

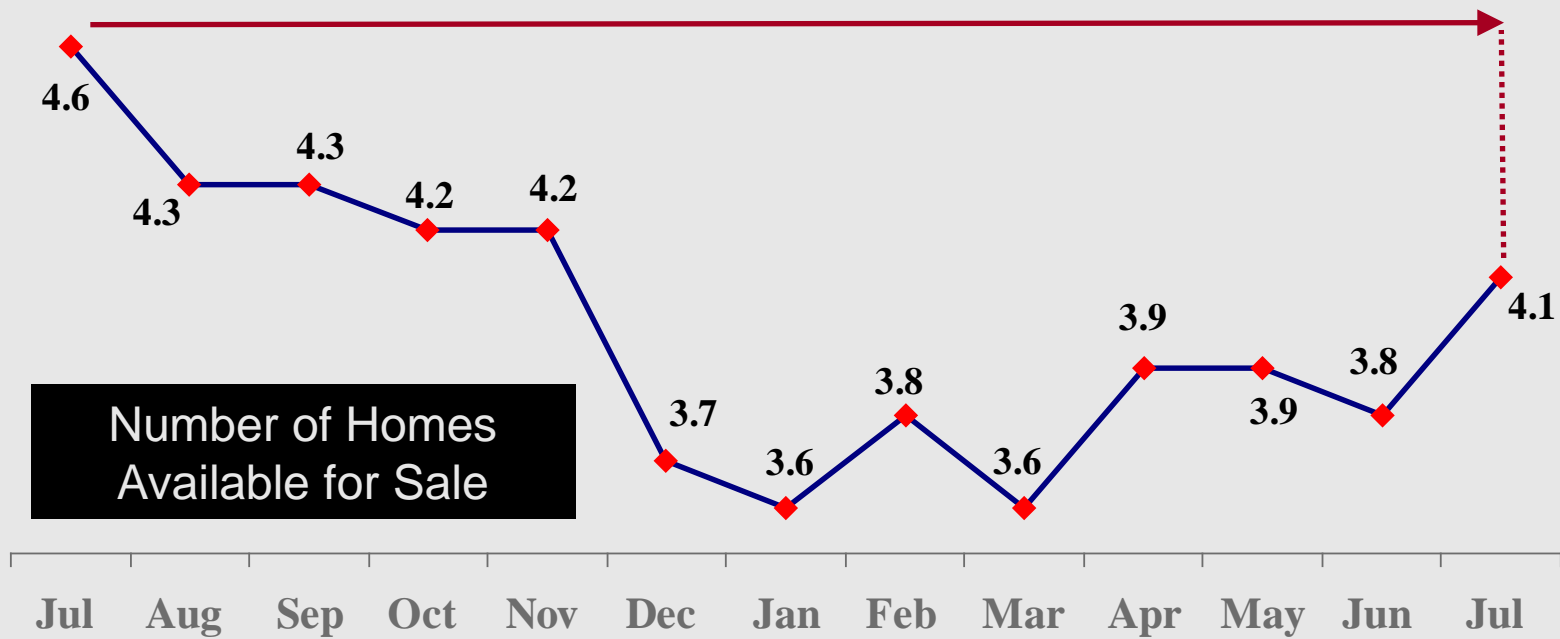
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Inventory - In Millions

Number of homes available for sale



Total housing inventory at the end of July rose 7.3% to 4.09 million existing homes available for sale, representing a 9.4-month supply at the current sales pace. This was unchanged from June as the greater inventory was met with the strong sales gain. Compared to a year ago, when the number of unsold homes was at a record, there are now 10.6% fewer homes on the market.



Latest data release: August 21, 2009

Source: National Association of Realtors

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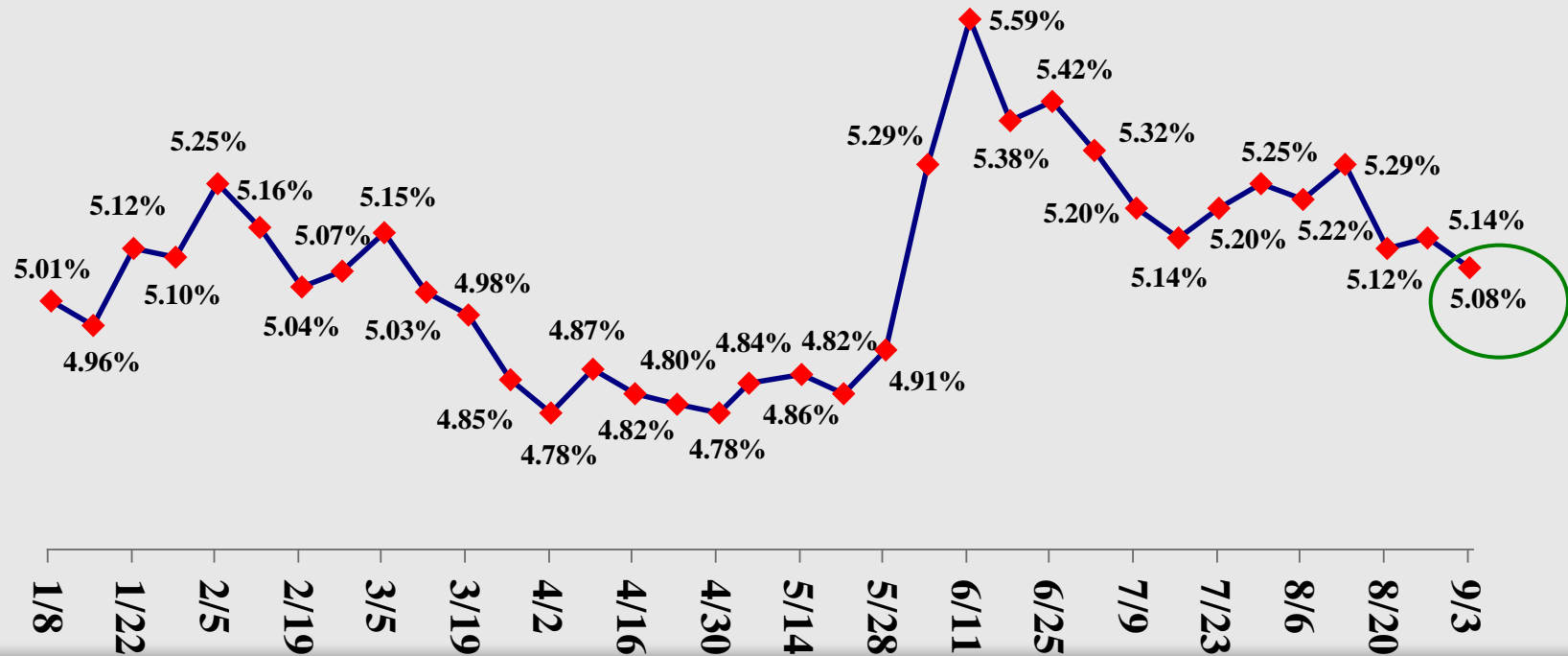
Mortgage Rates

30-Year Fixed



Rates for 30-year fixed loans edged down to 5.08% in the first week of September. While above the unprecedented 4.78% reached in the spring, rates still remain at attractive levels for people looking to buy a home or refinance. According to Frank Nothaft, Freddie Mac's chief economist, "Low mortgage rates are helping to keep housing very affordable."

Average Weekly Mortgage Rates



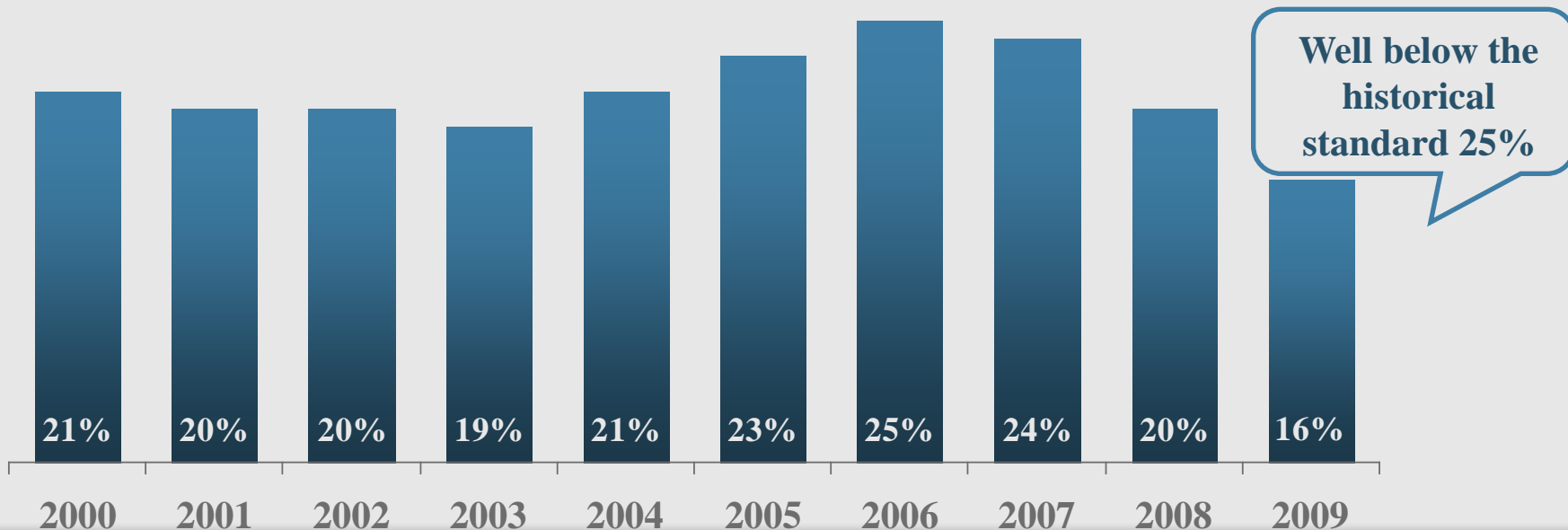


Affordability - % of Income

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

Housing affordability continues to be at record highs this year with the added stimulus of the first-time buyer credit. So far this year, payment percentages have been the lowest on record dating back to 1970. A typical mortgage payment on a median-priced home historically has consumed 25% of a middle-income family's monthly earnings, it's now taking up only 16%. According to Lawrence Yun, NAR chief economist, "As long as home buyers stay within their budget, mortgage payments will be very manageable."

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



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

Source: National Association of Realtors

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Recent Government Action



“Cash for Clunkers” Huge Success

August 2009



“Cash for Clunkers” began July 24 with such overwhelming demand that the program, originally set to expire November 1, burned through funding with amazing speed. In the first week alone, the incredible demand depleted the entire budget of \$1 billion. A second round of \$2 billion in funds extended the program’s life by a few weeks, but the program ended on August 24 with no plans to revive or extend it.

The success of the program has put 690,000 new fuel efficient cars on the road and has saved jobs in the auto industry. In some cases it has even brought laid-off employees back to work. For example, GM announced plans to reinstate almost 1,400 employees and add overtime for a substantial number of existing employees.



The government’s \$8,000 first time-home buyer tax credit has also seen tremendous success with first-timers making up 30% of all buyers in July. First-time buyers made up as much as half of all buyers in earlier months this year. As the tax credit reaches its expiration, the government may take a similar approach as with the Cash for Clunkers program— declaring it a success and unwinding the program.

Phase I of Credit Card Bill Rolls Out

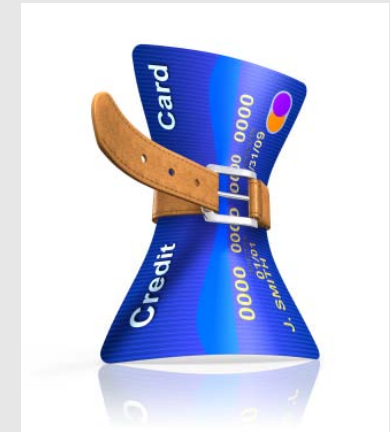
August 2009



On August 20, the first phase of the credit card bill that was approved in May took effect.

Key changes in the way credit cards work include:

1. Customers will now receive 45 days notice, up from 15 days, before interest rates increase.
2. The minimum balance due can increase by no more than two times the percentage that it previously has been.
3. Bills must be mailed 21 days, up from 14 days, before the payment is due.

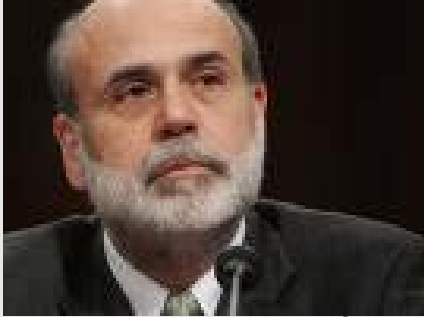


The balance of the bill's provisions will become effective in February. Until then, consumer advocates' concerns center around credit card issuers continuing to increase rates, lower credit limits, decrease rewards programs, and close inactive accounts. Credit card companies reaffirm these actions are not due to legislation but decreasing credit scores.

This bill intends to help consumers control credit and unknown expenses. As consumers consider buying or selling a home, knowing monthly expenses becomes increasingly important in understanding how much they can afford and are comfortable spending on housing.

Fed Confirms Commitment, Bernanke Reappointed

August 2009



President Obama announced Federal Reserve Chairman Ben Bernanke's reappointment on August 25. Largely supported by many of the Fed's economists, the reappointment will ensure continuity in the Fed's policies. This will provide some stability as there will not likely be dramatic changes.

Earlier in the month, the Federal Open Market Committee (FOMC) meeting resulted in the Fed confirming its commitment to purchase \$300 billion in Treasury securities. It will complete the remaining purchases by the end of October. The interest rate on Treasury securities is closely tied to mortgage rates. The purchase of these securities is one of the most important components in keeping mortgage rates low.

The overall tone of this month's meeting involved more caution and less enthusiasm than expected. The Fed's message: While economic signs *do* continue showing some improvement, full recovery will take longer than previous recessions.

Research for Buyers and Sellers



Motivation for Moving



More Moving for Positive Reasons & Less for Recession

Half of people surveyed by Relocation.com moved to improve their living situation. This is a huge improvement from last March when the majority of people moved due to the recession.

- **26%** moved to live in a **bigger or better home**
- **24%** moved into a **better neighborhood**
- **12%** moved to be **closer to family or friends**
- 9% moved into an area with a lower cost of living
- 6% moved due to a change in marital status
- 3% or less for each of the following: school, job loss, retirement, or foreclosure



First-Time Home Buyers Survey



What are other first-time home buyers doing?

1. The median **age** is **28**, significantly down from where it was four years ago at 32.
2. The median **home size** was **1,600** sq ft.
3. **Location or Neighborhood** was the No. 1 “must-have” for **36%** of buyers.
4. **2** out of **5** first-time buyers purchased a **distressed** property.
5. **2** out of **3** sellers paid at least part of the buyer’s **closing costs**.
6. **76%** used their **own savings** for the down payment.
7. **1** in **4** had help from their **family** for the down payment.



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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