



### October 2011 Market Update

Despite some pessimism pertaining to the global and domestic economies, the U.S. housing sector continues to show promising signs of stability and growth. Low levels of new home construction and gaining sales volume fueled by an inventory of affordable housing since Richard Nixon was president have reduced the number of homes on the market. This means home prices may begin to appreciate again.

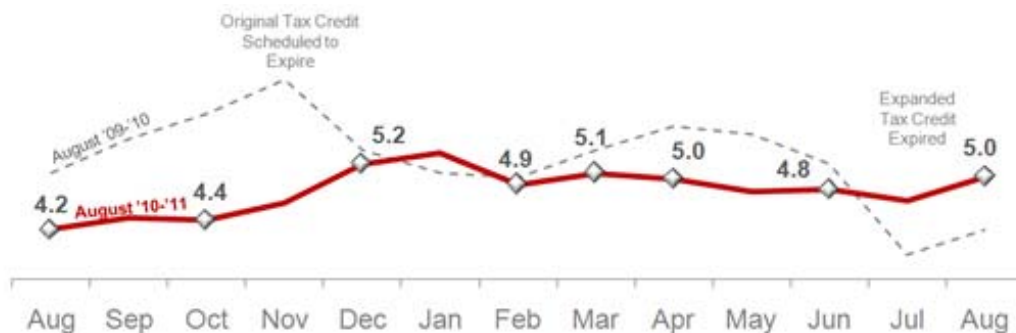
While there are many factors that can be barriers to buying a home, such as the tightening of mortgage lending rules by banks, consumer confidence in the job market is among one of the top obstacles to home ownership. In the 2011 Housing Pulse Survey conducted by the National Association of Realtors, 80% of respondents cited job security as their primary concern when deciding to buy.

For only the fourth time since the beginning of 2010, home sales in August were up both year-over-year and month-over-month, posting an 18.6% gain from last year, with first-time home buyers accounting for nearly a third of all homes purchased. These indications of strength in the housing market may help to add to consumer confidence, which is an integral part of sustained growth. Even though there is still a long road to recovery ahead of us, there are opportunities to be had for both home buyers and sellers.

#### Home Sales

in million

August home sales were up 18.6% year-to-year, posting a 7.7% increase in sales activity over July despite Hurricane Irene, which struck the Eastern seaboard and New England regions at the end of the month. As a result of the hurricane, the Northeast experienced the smallest increase in sales. At the same time, persisting restrictions among banks affecting home lending are having the greatest constraint on sales levels. NAR Chief Economist Lawrence Yun stated, "The market can easily move into a healthy expansion if mortgage underwriting standards return to normalcy."



Latest Data Release: September 21, 2011  
Source: National Association of Realtors

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## Home Price

### in thousands

Homes prices were down, with a 5.1% drop in August compared to a year ago. The national median price for homes in August was \$168,300, with distressed properties, foreclosures, and short sales still accounting for 31% of sales. The buyer's market for residential property continues, as favorable prices, and record low interest rates offer the most affordable conditions for purchasing a home in the last 40 years.

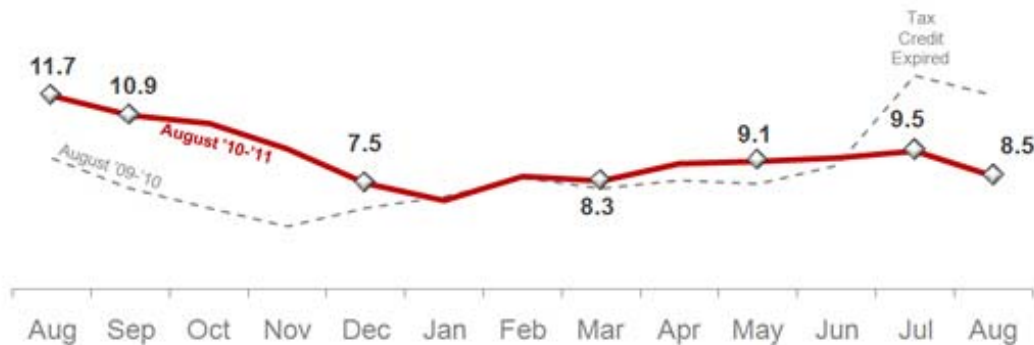


Latest Data Release: September 21, 2011  
Source: National Association of Realtors

## Inventory- Month's Supply

### in months

The supply of homes measured in months on the market at their current pace of sales fell 10.5% in the month of August, to an 8.5 month supply of inventory, down from a 9.5-month supply in July. With homes being more affordable than they have been in a generation and the lowest levels of new home construction since World War II, this inventory is projected to continue to fall, which will eventually result in the appreciation of home prices and a move toward a balanced market.



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Source: National Association of Realtors

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## Interest Rates

Home ownership became even more affordable, with the average rate for 30-year fixed mortgages falling to 4.01% the last week in September. This drop came as a result of the Federal Reserve extending the average maturity of its holdings as a part of the Maturity Extension Program, an effort

designed to put downward pressure on interest rates and yields on treasury bonds in order to stimulate the economy. It is hoped that this action will encourage banks to loosen lending conditions, as it becomes more attractive to loan money to home buyers, rather than invest in treasury bonds.

Type	Rate
30-Year Fixed	4.01%
15-Year Fixed	3.28%
5/1 ARM	2.83%
Historical Average	8.90%

Source: Freddie Mac; September 29, 2011

Source: Freddie Mac

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### This Month's Video



### Topics For Home Owners, Buyers & Sellers

Since affordable pricing tops the list of motivation and criteria for buying, it is no surprise that many first-time home buyers purchase distressed properties, which can be up to 30% below market value. Cost-conscious buyers are the most interested in distressed properties, but it is important for them to take into consideration the additional costs and expenses related to damage or neglect that occurred during the foreclosure process. On average, distressed property prices for first-time home buyers are \$185,971 with a median of \$153,000.

Another consideration for buyers is the transaction time. Short sales and foreclosures typically take considerably longer to close because buyers deal with institutions rather than individual sellers. Yet buyers who are patient can benefit by paying less.

As a seller, it is important to understand the current real estate market, and a real estate agent is there to guide sellers every step of the way. Agents can help sellers understand what the level of distressed sales and competition look like in their area. This way, they will be able to price their home right and will more than likely be able to attract attention from potential home buyers.

Source: KW Market Navigator and KW Research

Brought to you by KW Research. For additional graphs and details, please see the This Month in Real Estate PowerPoint Report.

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