



September 2011 Market Update

The U.S. housing market has shown notable stability in 2011 compared to the previous two years when the tax credit made a clear impact. Although recent economic indicators have been less than expected, including a downward revision of GDP and consumer confidence that mirrors early 2009, owning a home is still valued by the majority of Americans. 72% of renters say owning is a top priority for their future, up from 68% a year earlier.

However, most aspiring homeowners are held back by two main factors: funds for a down payment (82%) and confidence in their job security (80%). Federal Reserve Chair Ben Bernanke emphasized the importance of a healthy housing market to a robust recovery. He stressed the adverse effects of tighter credit conditions for borrowers, urging Congress to take tax and policy measures to help stabilize the market. He also noted the significance of addressing long-term fiscal policies including debt levels, upcoming expenses to support an aging population, and taxes.

Buyers continue to benefit from historically favorable buying conditions, and sellers are encouraged by increased market stability. Although the Fed made a commitment to keep its interest rate at the current level until mid-2013, mortgage rates can, and often do, still fluctuate. In the midst of these reports, it is important to keep in mind the path to recovery was always expected to be a long and uneven road. As we progress toward a stronger recovery, economic improvement typically spurs rising interest rates in order to keep inflation in line.

Home Sales

in millions

Home sales in July were up by 21% from the same month last year when the expiration of the tax credit resulted in a significant drop in sales. However, they were down 3.5% compared to June. This could be due in part to NAR's report that 16% of members experienced a contract failure from issues in underwriting and appraisals during July. NAR President Ron Phipps states, "For both mortgage credit and home appraisals, there's been a parallel pendulum swing from very loose standards, which led to the housing boom, to unnecessarily restrictive practices as an overreaction to the housing correction."

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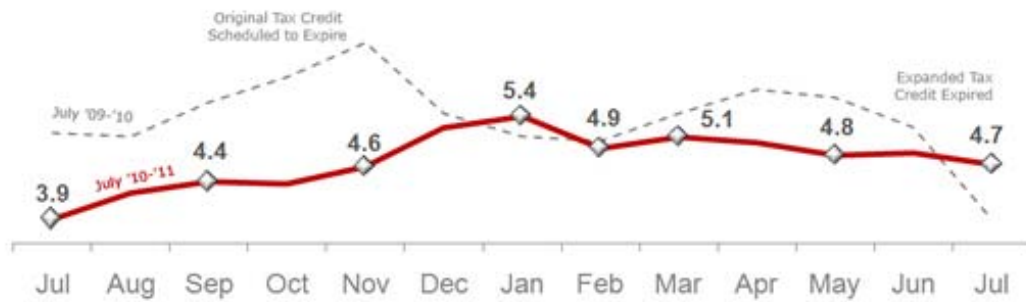
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Latest Data Release: August 18, 2011
 Source: National Association of Realtors

Home Price

in thousands

Home prices dipped by less than 1% in July with median home price at \$174,000. This is 4.5% below the year-ago level which followed a strong spring season of sales driven by the tax credit. Median home prices remain close to 2002–2003 levels. Distressed sales continue to count for almost 1 in 3 homes sold. The combination of low prices and record-breaking low interest rates means that home affordability is extremely favorable.

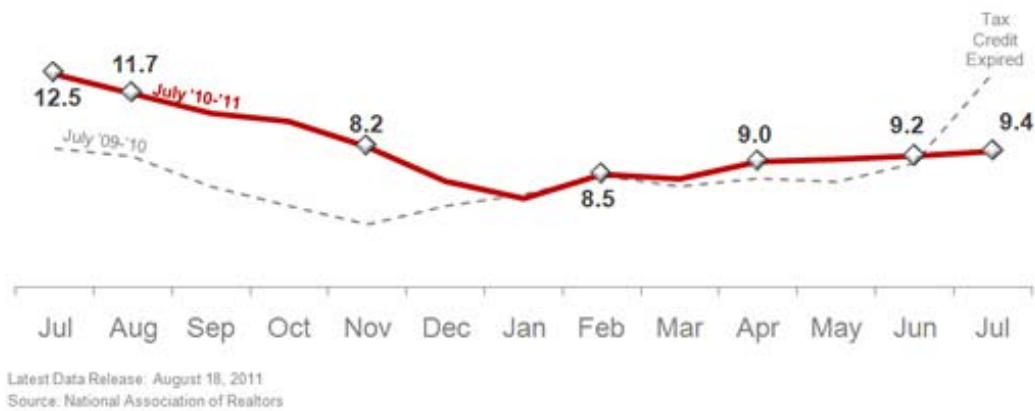


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Inventory- Month's Supply

in months

The supply of homes measured in months on the market at their current pace of sales was up slightly during July compared to June. This is in keeping with historical trends, which show that inventory levels typically rise during the summer months. The month's supply remained 25% below the peak of 12.5 months in July 2010 and 13% above April of 2010 when the home buyer tax credit was in full swing.



Source: National Association of Realtors

Interest Rates

Mortgage rates hit a new record low in August of 4.15%, primarily due to uncertainty in the global and domestic economies. While these incredible rates represent a significant savings for home buyers, experts note that for the benefits to be fully realized, lending conditions must loosen to enable more buyers to take advantage of them. As overall economic activity gets back on track, rates will likely rise to keep inflation in check. In other words, the window of opportunity for buyers to lock in these historically low interest rates will not last forever.

Type	Rate
30-Year Fixed	4.22%
15-Year Fixed	3.39%
5/1 ARM	2.96%
Historical Average	8.90%

Source: Freddie Mac

This Month's Video



Topics For Home Owners, Buyers & Sellers

As the weather gets cooler, some homeowners could be considering undertaking home renovations or updates before the holiday season. Here are a few findings about updates

and home sales:

1. Homeowners typically spend considerably more on updates to their home when planning to live in and enjoy it, with an average of nearly \$9,000.
2. In contrast, they only spend an average of \$3,400 when making updates in preparation to sell.
3. The most common updates sellers performed before listing were paint, flooring, and light fixtures.
4. Although the majority of buyers were least likely to compromise on the location, 16% were least likely to compromise on updates.
5. 75% of homes sold were either fairly updated or very updated.
6. Sellers began repairing their home 1 to 8 weeks in advance of listing.

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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