



THIS MONTH IN REAL ESTATE

U.S.

This Month in Real Estate March 2010

Commentary



As the market continues to show shoots of recovery, experts believe that the roots will continue to grow. In his annual letter to the shareholders of Berkshire Hathaway, Warren Buffett said, "Within a year or so, residential housing problems should largely be behind us."

After a steep run-up in prices during the first half of the decade, home values have readjusted back to normalized levels. Fixed mortgage rates are sitting near record lows and the number of homes available for sale is providing home buyers with more options. Also encouraging are

indications that the high end of the housing market could begin moving again as luxury financing becomes more readily available.

Despite high unemployment and looming foreclosures, experts maintain their expectations that the economy will grow in 2010, while the government carries on its search for solutions to help both troubled homeowners and the unemployed.

The Housing Market

Existing Home Sales

Existing home sales slowed in January. According to Lawrence Yun, NAR chief economist, this is mainly due to the lack of urgency with the extension and expansion of the first-time buyer tax credit in November. January sales of 5.05 million remain 12 percent above the 4.53 million-unit level last year.

Median Home Price

Existing-home price was \$164,700 in January, 3.4 percent below December and unchanged from January 2009. Distressed homes, which accounted for 38 percent of sales last month, continue to skew prices downward as they typically are discounted in comparison with traditional homes.

Inventory

The supply of homes continued to shrink, falling 0.5 percent to 3.27 million, representing a 7.8-month supply at the current sales pace. Compared to a year ago, there are now 10 percent fewer homes on the market. This is the lowest level of competing homes on the market since March 2006.

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**your local real estate
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Mortgage Rates

Mortgage rates edged above the 5 percent threshold during the week of February 25, but remained near historically low levels. As the Federal Reserve mortgage-backed securities purchase program is scheduled to run out at the end of March, the Fed has held the door open to extending it if the economy weakens.



Affordability

Affordability remains at record levels, supported by the lowest mortgage rates in decades, low home prices, as well as the first-time buyer tax credit. So far this year, the home price-to-income ratio has fallen well below the historical average of 25 percent. The ratio now stands at 14.1 percent.

Sources: National Association of Realtors, Freddie Mac

Government Action

Jumbo Mortgages Begin to Thaw

The cost of jumbo loans, often used to purchase luxury homes, shot up during the financial crisis because lenders steered clear of anything that could be considered somewhat risky. Plus jumbo loans are too large for the government to support through the Federal Housing Administration, Fannie Mae, or Freddie Mac.



Type of Loan	Loan Amount	Accessibility	Interest Rates
Conforming	Up to \$419,000	Easiest	Lowest
Conforming Jumbo	\$419,000 to \$729,750*	Somewhat Harder	Somewhat Higher
True Jumbo	More than \$729,750	Hardest	Highest

The good news: The jumbo loan markets are beginning to unfreeze and return to normal. The difference between interest rates on conventional loans and jumbo loans has decreased from higher

levels seen last year.

Date	Difference between Conforming and Jumbo Interest Rates
2006	0.25%
2009	1.7%
2010**	0.83%

In some cases, the down payment requirements are easing as well, but they often still depend on the level of borrowing - the more the mortgage, the higher the down payment percentage. In New York, mortgage professionals report the following common down payments:

Loan Amount	Down Payment***
Up to \$1 million	20%
\$1 - \$1.5 million	25%
\$1.5 - \$2 million	30%

Borrowers will still need a good credit score, typically at least 700, evidence of high income, and a sizable bank account.

Sources: *Los Angeles Times, Inman News*

Topics For Buyers & Sellers

2009 Tax Tips

Tax time is coming up. Don't forget about the following benefits in 2009 for homeowners. What's deductible in itemized deductions for homeowners?



- 1. Mortgage Interest**
- 2. Points** - paid at closing if you purchased or possibly if you refinanced this year
- 3. Mortgage Insurance Premiums**
- 4. Property Tax**
- 5. Energy Efficiency Credits** - see IRS Form 5695 for qualifying projects
- 6. Home Buyer Tax Credit** - see IRS Form 5405 to claim your credit if you qualify

For a more detailed report with additional graphs and government action, please see the This Month in Real Estate PowerPoint Report.

* \$729,750 is the upper limit in the most expensive areas. Limits vary depending on median home prices in local areas. ** Based on the week of February 25, 2010.

***According to Bank of America's Jeffrey Appel in Inman News.