



# THIS MONTH IN REAL ESTATE

U.S.

## December 2010

### Market Update

The housing market continues its uneven and gradual recovery without the aid of the tax credit. Experts believe this will be the trend moving forward. Interest rates hit another record low but have started moving back up as the overall economy improves.

Despite a less-than-expected employment report, consumers seem to be feeling brighter about the future. While the Consumer Confidence Index about the Present Situation rose only slightly, the Expectation Index showed substantial improvement. As we enter into the holiday gift-buying season, consumers are expected to be out shopping and buying more gifts for under the tree this year. Reports indicate a 13-24% increase in retail sales from last year. Consumer spending accounts for about half of all economic activity in the US; as long as consumers are spending and using debt responsibly, this is a positive indicator for economic growth.

This march back up continues to provide excellent opportunities: an ample selection of homes, affordable prices, and historically low interest rates. Experts anticipate both the economy and the housing market will continue on a path to a complete recovery.

### Home Sales

Home sales dropped slightly in October, compared with the previous month, despite a temporary moratorium on foreclosures, which have recently represented more than one third of sales activity. Sales were up 15% from July when the tax credit expiration caused a drop-off in sales. The most significant indicator of a market rebound, however, appears to be the October pending sales report. A 10.4% increase in pending sales, which measures homes under contract, signals stronger home sales activity in the coming months as the homes under contract close.



### Home Price

Home prices have shown considerable stability when compared with the previous several years. October's median home price declined slightly, down less than 1% from the previous month and year. A recent study shows an increased interest in smaller homes. Smaller homes often mean smaller price tags, depending on location. While the market currently provides many opportunities for buyers, sellers look forward to the general trending upward of home price as the market's stability without government support grows deeper roots.

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about what's  
going on in our  
area.



### Inventory

There are fewer homes on the market. Total inventory fell to 3.86 million in October from 4 million in September. The month's supply\* of homes on the market fell to 10.5 months. While still at a relatively high level, months of inventory has shrunk substantially since July's 12.5 months. As lending standards continue to loosen and return to historical norms, more people will be able to buy their first home, move up, or invest and take advantage of the abundant opportunities in the current market – including historically low interest rates, highly affordable prices, and an ample but shrinking selection of homes.



\* Month's supply of inventory measures how many months it will take to sell all the homes that are for sale, if no new homes come on the market and buyers continue to buy at the same pace or rate.

### Affordability

Housing is at **record affordability** levels. Prospective home buyers stand to benefit from the lowest mortgage rates in decades, as well as advantageous home prices. The home price-to-income ratio, 13.5% in October, continues to remain well below the historical standard. Stabilizing home prices and rising interest rates are anticipated to begin drawing affordability back up toward more normal levels.

Source: National Association of Realtors - October housing data released November 23.

## Interest Rates

Mortgage rates **hit another record low** of 4.17% on November 11 after which they rose to close to 4.4% for the remainder of the month. Historically low rates have contributed to real savings for buyers who will continue to realize those savings for as long as they own the home. As overall economic recovery gains traction, rates must rise to keep inflation in check. Industry economist Lawrence Yun anticipates rates to be between 5.4% and 6% by the end of 2011.

Type	Rate
30 year fixed	4.46%
15 year fixed	3.81%
5/1-year ARM	3.25%
30 year average for a 30 year fixed rate mortgage	8.9%

Source: Freddie Mac, Rates as of December 2.

## This Month's Video



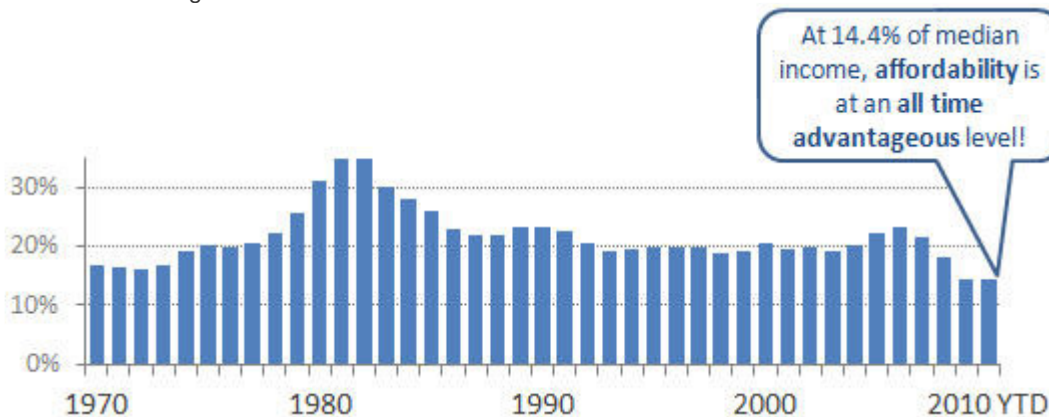
## Topics For Home Owners, Buyers & Sellers

### Prime Time to Buy *Homes Have Never Been More Affordable*

For most individual home buyers, there are only a few factors that really matter:

- **Can I afford this home?**
- **Is it a good investment?**
- **Does it meet my family's needs?**

So it's a bit surprising that the most important housing statistic has gone largely unreported: **homes have never been more affordable.** Affordability, measured by the median mortgage payment on the current median-priced home (\$171,000) as a percentage of the median household income (\$62,141), is lower than it's been in a generation. The chart below shows affordability at a record level, having significantly improved since the height of the recent housing boom in 2006.



For more detail, check out Keller Williams Realty's [7 Reasons Why Now Is a Great Time to Buy a Home!](#)

Sources: *National Association of Realtors, KW Research*

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