



# THIS MONTH IN REAL ESTATE

U.S.

## This Month in Real Estate May 2010

### Commentary



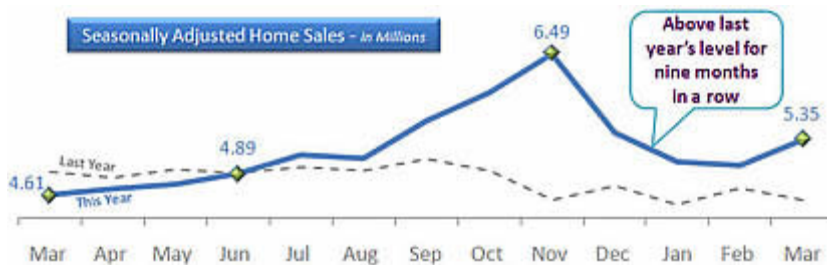
The economic recovery continues gaining traction slowly but steadily. First quarter GDP, the key measure of the economy, came in at a positive 3.2 percent - an indicator that we have arrived, at last, at a sustainable recovery. However, this recovery is subdued compared to previous recessions. Without a higher upswing in GDP, businesses will continue to add jobs slowly. The positive news of sustainable economic growth is tempered by the longer-than-normal time frame it will take to recoup job losses.

High unemployment and elevated levels of foreclosure and distressed homeowners continue to be two of the biggest factors in preventing a robust recovery. The government has turned its attention to matters to help bolster the economy including unemployment and financial reform. The latter is currently working its way through debate in Congress. The government's attentive attitude toward these obstacles is seen as a positive sign by industry and economic experts.

### The Housing Market

#### Existing Home Sales

Existing home sales strengthened in March to 5.35 million, up 6.5 percent from February and 16 percent from last March. This is the ninth consecutive month of year-over-year increases. According to Lawrence Yun, NAR chief economist, the "home-buyer tax credit has been a resounding success," increasing demand and stabilizing the market. In March, 44 percent of sales were from first-time buyers.



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## Median Home Price

The median price for an existing home was \$170,700 in March, up 0.4 percent from a year ago and 3.6 percent from February. Distressed homes, accounting for 35 percent of last month's sales, continued skewing prices downward slightly as they typically are discounted 15 percent compared to nondistressed homes. "Foreclosures have been feeding into the inventory pipeline at a fairly steady pace and are being absorbed manageably," said NAR's chief economist.

## Inventory

Total housing inventory rose slightly to 3.58 million in March, representing an eight month supply of sales (if homes continue to sell at the current pace consistently and no new homes come on the market). Compared to the previous year, there are now 1.8 percent fewer homes on the market. This is the twentieth consistent month of inventory decline when compared to the previous year- one of several indicators that the market will likely "bottom out" in the next few months, according to NAR.



## Mortgage Rates

Although mortgage rates continue to hover close to 5 percent, experts anticipate rates will increase to between 6 and 6.5 percent by the end of the year, since the Federal Reserve will need to raise them as the recovery gains traction to prevent inflation.

## Affordability

Affordability remains near record levels, supported by the lowest mortgage rates in decades, low home prices, and the first-time home buyer tax credit. The home price-to-income ratio continues to remain well below the historical average of 25 percent. The ratio now stands at 14.7 percent.

**Sources: National Association of Realtors, Freddie Mac**

## **Government Action**

### **Fannie Mae Short-Sale Policy Change**

Fannie Mae promotes short sales over foreclosures by shortening the amount of time that homeowners going through a short sale will have to wait before applying for a mortgage again. Fannie cut the length of time in half from four to two years.

Spokespersons communicated that the recession is not a "get out of jail free card" for homeowners who owe more than their home is worth. However, they acknowledged those who have had extenuating circumstances, such as a job loss, but are otherwise solid applicants should not be prevented from owning a home once their situation

proves stable.

Length of time before a previously distressed borrower can apply for a mortgage:	Short Sales	Foreclosures
Fannie Mae	New: 2 years Old: 4 years	5 years
Freddie Mac	4 years	4 years
FHA	3 years	3 years

Homeowners will need to focus on rebuilding their credit during the waiting period.

Source: [WSJ.com](http://WSJ.com)

### Topics For Buyers & Sellers



#### Summer Maintenance Tips

Summer is almost here! Below are some summer home-maintenance tips to help protect your investment.

1. Caulk exterior joints around windows and doors to help lower cooling bills.
2. Clean lint from the entire clothes dryer vent system, from the dryer to the exterior vent cap. Lint is flammable and poses a fire risk.
3. Repair cracks in concrete patios and driveways. For cracks less than 1/4" wide, apply concrete caulk. For larger cracks, use concrete patch for caulk.
4. Wash the exterior of your house using ordinary garden-hose pressure and a mild detergent.
5. Clean and seal your porch or deck.

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