



THIS MONTH IN REAL ESTATE

U.S.

March 2011 Market Update

Gradual progress in the housing market continues at a steady pace without government support. The market has shown remarkable improvement from the initial drop after the expiration of the home buyer tax credit this past July. Although higher-than-normal distressed sales skew the overall picture of home prices downward, inventory continues to shrink and sales continue to rise. The rock-bottom interest rates of 2010 are likely to trend upward. As economists anticipate rates at or above 6% by the end of 2012, buyers are moving off the sidelines and into the market.

A good sign for long-term market stability is that the median down payment on conventional mortgages has risen to 22%, up from 4% in 2006 and slightly above the 20% standard in the 1990s. This may keep buyers looking in slightly lower price ranges, but it is a good sign of future sustainability for homeowners and banks alike. There are still ample opportunities for those who would like down payments below 20%, including some conventional mortgages and those backed by the Federal Housing Administration, Veterans Affairs, and the Department of Agriculture's Rural Development loans.

As the economy improves, stimulus efforts by the government and the Federal Reserve Board will gradually wind down, which typically means rising interest rates. Meanwhile, buyers continue to benefit from historically favorable buying conditions and sellers are encouraged by increased market stability.

Home Sales

in millions

The increasing trend in existing home sales activity continued through January, and for the first time rose above year-ago levels when the home buyer tax credit was in effect. This marks the sixth monthly increase since July when the tax credit expired, and indicates a recovery that's gaining a firmer footing without government support.



Home Price

in thousands

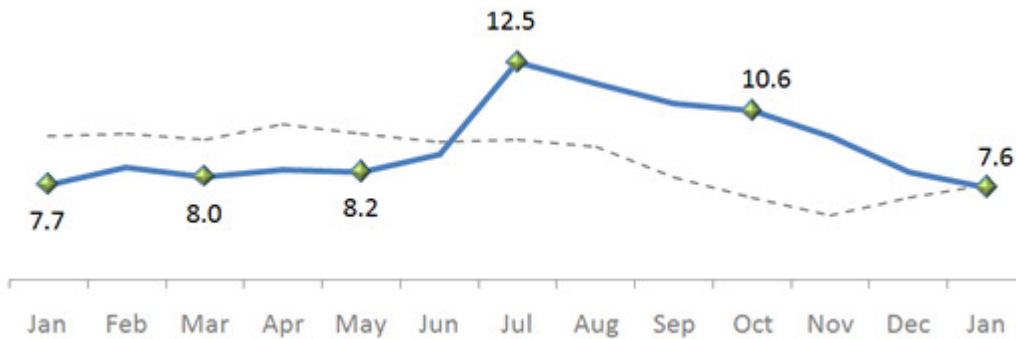
Home prices softened in January with median home prices decreasing slightly to \$158,800 - 3.7% below the year-ago level. Contributing to this is a larger share of distressed homes sales, which accounted for 37% of sales in January compared to 30%-35% throughout much of 2010. Prices and mortgage rates remain favorable for buyers.

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Inventory- Month's Supply
in months

The uptick in home sales and a shrinking inventory pared down the month's supply to 7.6 months, a decrease of 7.3% from December and 1% from year-ago levels. This is the lowest level in more than a year and marks the first time since July that the month's supply is below where it was the previous year. Months of inventory has declined steadily (64%) from its peak of 12.5 months in July and is now back to pre-tax credit expiration levels. The supply of inventory is not far from a seller's market, which is less than 6 month's supply.



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

Interest Rates

Mortgage rates jumped above 5% for the first time since April 2009 in January. While rates dipped back to just below 5%, they are expected to continue an upward trend throughout the year. As overall economic recovery remains on track, rates will likely rise to keep inflation in check. Buyers wanting to capture the savings in monthly payments that a historically low interest rate affords are expected to take advantage of excellent buying conditions.

Type	Rate
30 year fixed	4.87
15 year fixed	4.15
5/1 ARM	3.23
Historical Average	8.9%

Source: Freddie Mac

Source: Freddie Mac, Rates as of Mar 3.

This Month's Video



Topics For Home Owners, Buyers & Sellers

Preparing your home for sale in a buyer's market can seem daunting, but these five tips will help you get the best price in the least amount of time.

- **Organizing and cleaning** is crucial when prepping a home for sale. Potential home buyers have a more positive reaction to homes that are clutter-free and give them the feeling that the home is "move-in ready."
- **Presale home inspection** can inform you of any trouble areas within your home that can stand out to potential buyers. An inspection can also help you make any repairs necessary before future open houses.
- **Determine replacement estimates** before listing your home, even if you are not planning on making the replacements yourself. This information can help buyers to make informed decisions.
- **Have your warranties ready** – especially for all those home appliances that will stay within the home after the sale.
- **Curb appeal** is a crucial factor because it determines first impressions. A negative first impression can cloud their entire opinion about the home.

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