THIS MONTH IN REAL ESTATE

U.S.

November 2010

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Market Update

The housing market continues its gradual recovery without the aid of the tax credit. Sales are slower but growing. Although it will likely be uneven at times, slow growth is believed to be the trend moving forward. Interest rates hit a new historic low again, a major factor in helping keep mortgage payments incredibly affordable.

Extended periods of record low interest rates and further plans from the Federal Reserve Board to expedite recovery have some concerned about future inflation. One such investment guru, John Paulson, touted the benefits of owning real estate as a hedge against inflation on Forbes.com. “Your debt and interest payments get locked in at record lows, while the price of your home will rise … If you don’t own a home buy one … if you own one home, buy another one, and if you own two homes, buy a third and lend your relatives the money to buy a home.”

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 their paths on the way to a complete recovery.

Home Sales

Home sales continued to rebound in September, increasing 10% compared to the previous month. This builds on August’s gain of 7.6% that followed a large drop caused by the expiration of the federal tax credit in July. Sales are expected to gradually grow as the market moves toward recovery without government stimulus. The recent foreclosure moratorium has opened up opportunities for short sales. Although it could make the near-term “choppy at times,” industry experts expect the overall trend to continue growing slowly.

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**your local real estate expert,
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Home Price

After four months of prices remaining on par with year-ago levels, September showed a slight decline. Last September distressed properties were 29% of all home sales; this September that number rose to 35%. The larger proportion of distressed sales, which are typically discounted, helps to explain the decline. While these discounted sales provide opportunities for buyers, sellers look forward to the general trending upward of home price.

Inventory

There are fewer homes on the market again in September, representing 10.7 months of inventory. While still at a relatively high level, months of inventory shrank by nearly a month in September from August's 11.6 and nearly two months since the 12.5-month supply in July. This continues to represent an excellent opportunity for buyers and investors who have not yet taken advantage of the abundant opportunities of the market including record low rates, an ample but shrinking selection of homes, and highly affordable prices.

Affordability

Housing remains at near-record affordability levels, and prospective home buyers stand to benefit from the lowest mortgage rates in decades, as well as advantageous home prices. Housing is approximately 60% more affordable now than during the height of the market.

Source: National Association of Realtors

Interest Rates

Mortgage rates once again **set new record lows** in early October to **4.19%** and remained below 4.3% throughout the month. These historically low rates contributed to real savings for buyers. Furthermore, the longer the buyer owns the home, the greater the savings they will realize. As economic activity gains momentum, rates will rise to keep inflation at an acceptable level.

Type	Rate
30 year fixed	4.24%
15 year fixed	3.63%
5/1- year ARM	3.32%
Historical 30 year average for a 30 year fixed mortgage	8.9%

Rates as of November 4 .

This Month's Video

Topics For Home Owners, Buyers & Sellers

Prime Time to Buy

7 Reasons Why Now Is a Great Time to Buy a Home

Recent history has reframed some of what had long been taken for granted about buying a home. Namely, we've learned that even though buying a home remains one of the best and safest investments available, a home should not function as an ATM or a short-term speculation strategy. So, where does that leave us? A lot smarter, able to recognize an opportunity when we see one, and aware of the facts that point to **now** as the prime time to buy a home.

1. **Home affordability is at an all-time high.** The median mortgage payment on the median-priced home, as a percentage of the median household income, is lower than it's been in a generation.
2. **Mortgage rates are at rock bottom.** It's hard to imagine interest rates going much lower, and when they start to

inch back upward, monthly payments and total loan costs will spike upward.

3. **Home prices are back on the rise.** After declining for 30 months, home prices are trending back upward. The time to get in the market is now.
4. **Sellers are motivated.** This means that buyers have the upper hand. Sellers are fiercely competing among an excess of housing inventory, which often means buyers have untold choices and negotiating power.
5. **Financing is readily available.** Banks are back in the game and ready to lend to well-qualified buyers.
6. **Owning vs. renting is increasingly favorable.** Since 2009, the average principal and interest payment has fallen below the average rental rates, and the gap is now wider than it's been in the past 22 years.
7. **Homeownership is still at the core of the American Dream.** Owning a home is critical to financial stability and wealth building. It's a forced savings account, a place to live, and a fabulous tax deduction.

For more detail, check out Keller Williams Realty's 7 Reasons Why Now Is a Great Time to Buy a Home! and The *Wall Street Journal*'s 10 Reasons to Buy a Home.

Sources: ***The Wall Street Journal, Inman News, KW Research***