

This Month in Real Estate

November, 2008

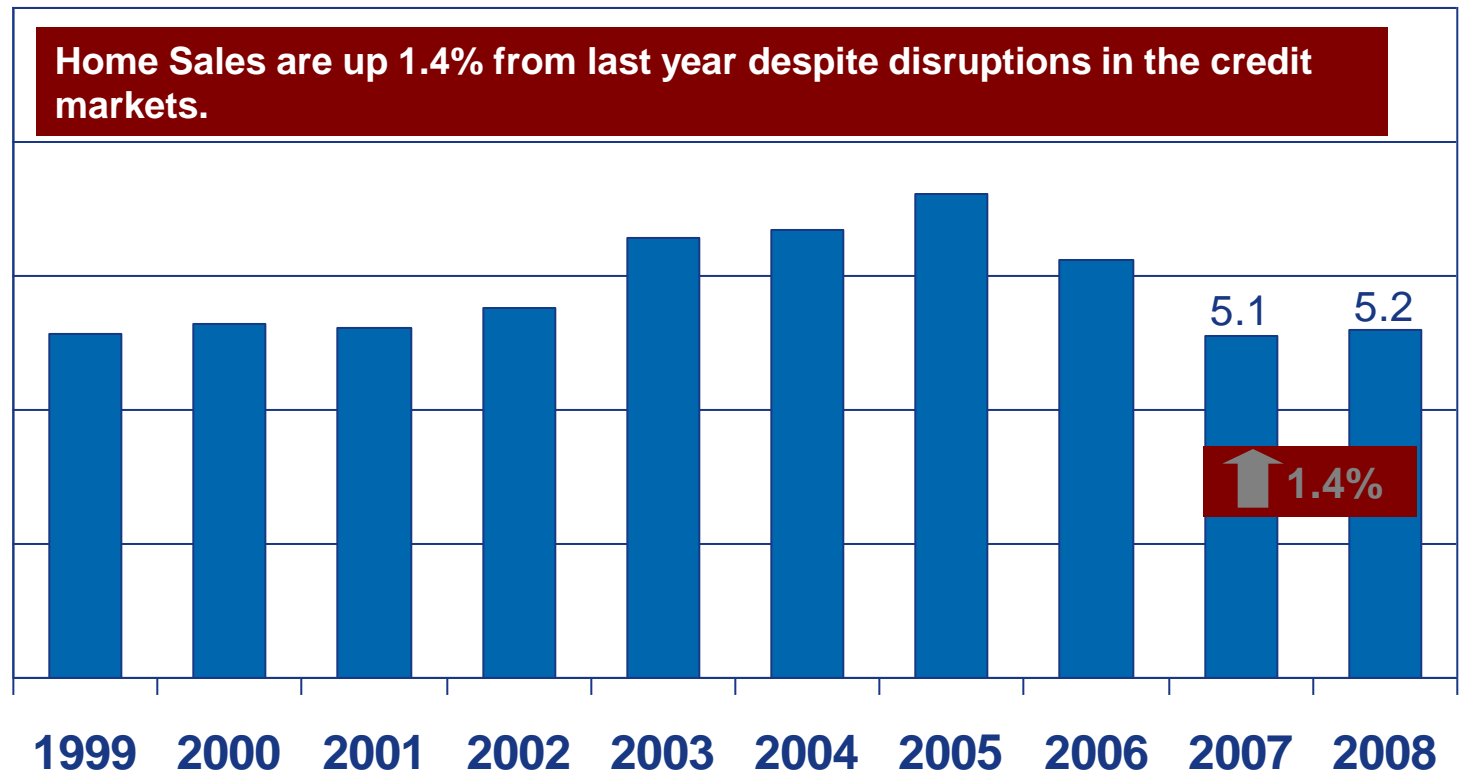


National Real Estate Statistics



Home Sales (In Millions)

Home Sales are up 1.4% from last year despite disruptions in the credit markets.



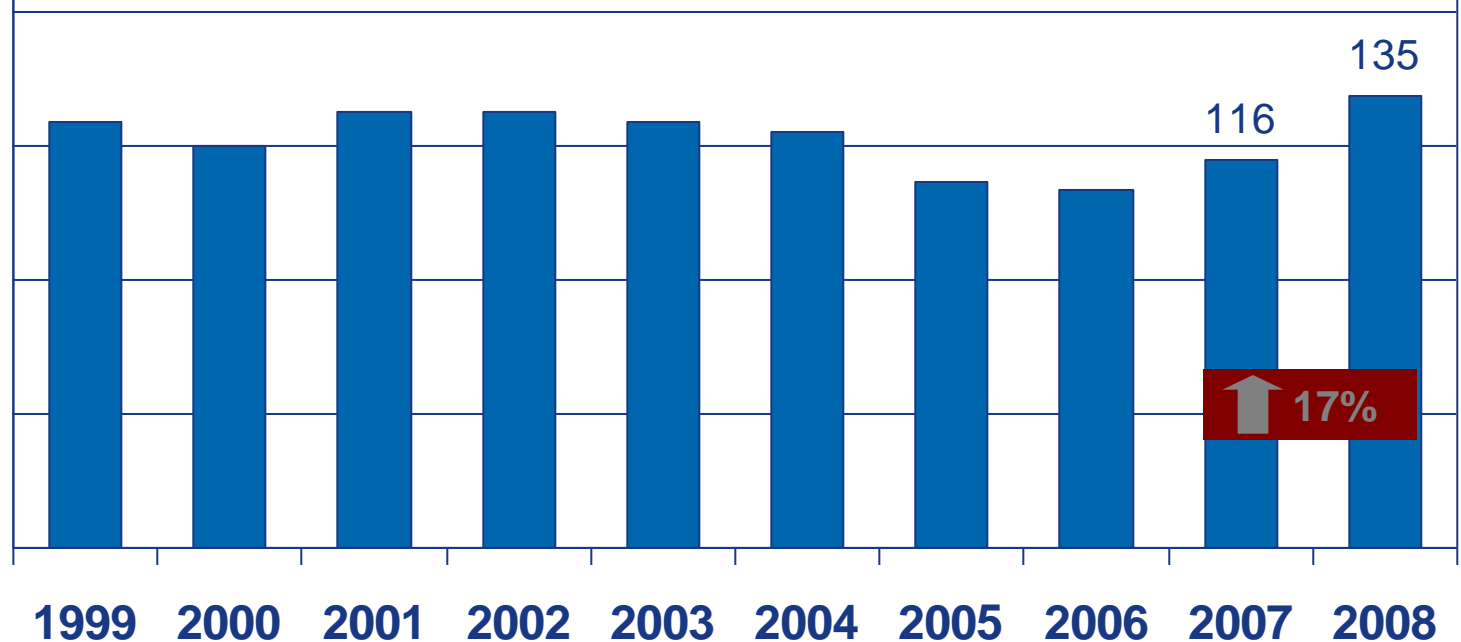
- Pace of Sales as of September every year (in Millions)

Source: NAR



Affordability Index

Increase in home sales is mainly due to improving affordability conditions. Affordability index is up 17%.



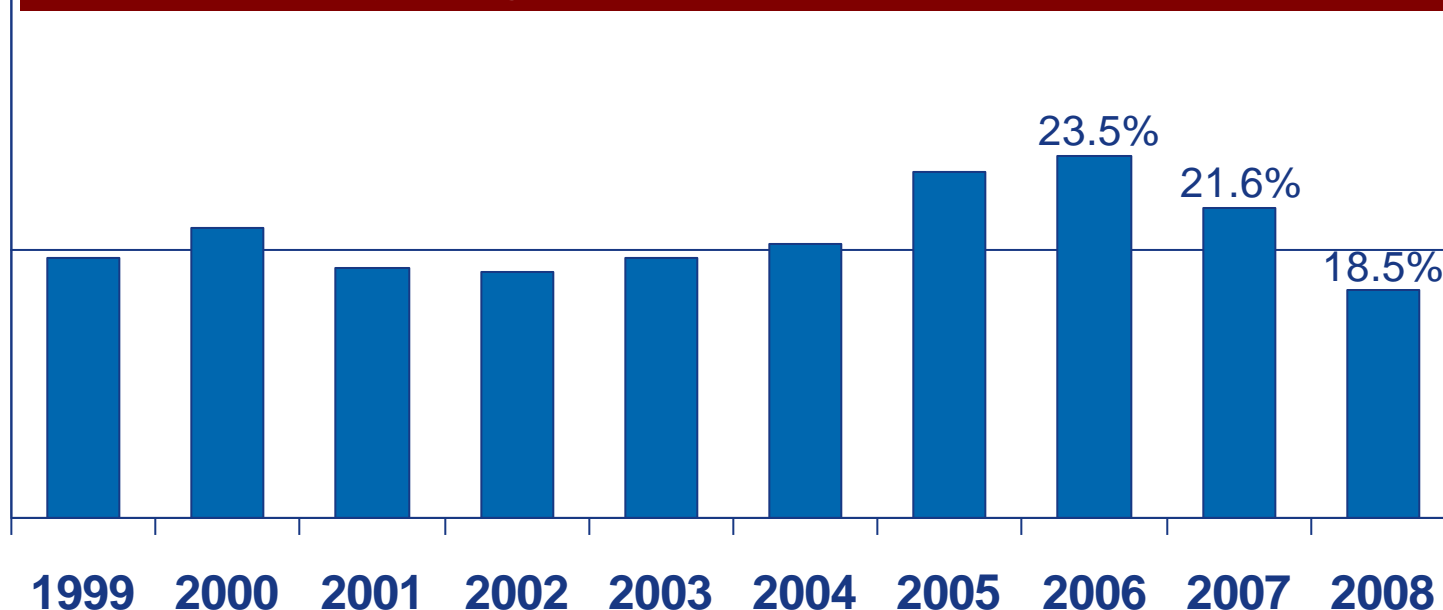
- Affordability as of September every year • • • • •

Source: NAR



Affordability (% of Income)

We've seen 7 straight months of improving affordability this year. The median mortgage payment now consumes 18.5% of family income in comparison to 23.5% of income 2 years ago.



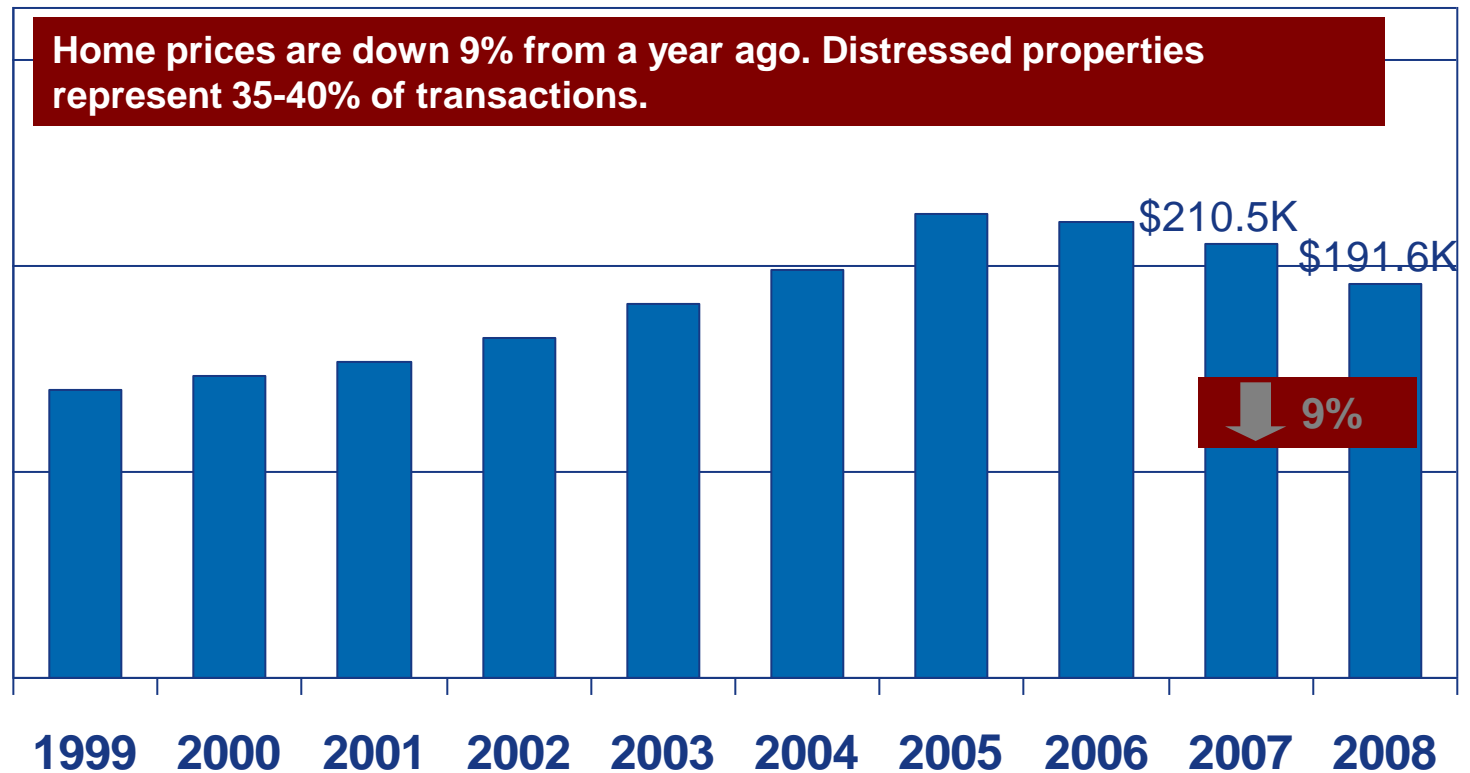
- Affordability as of September every year • • • • •

Source: NAR



Median Home Price

Home prices are down 9% from a year ago. Distressed properties represent 35-40% of transactions.



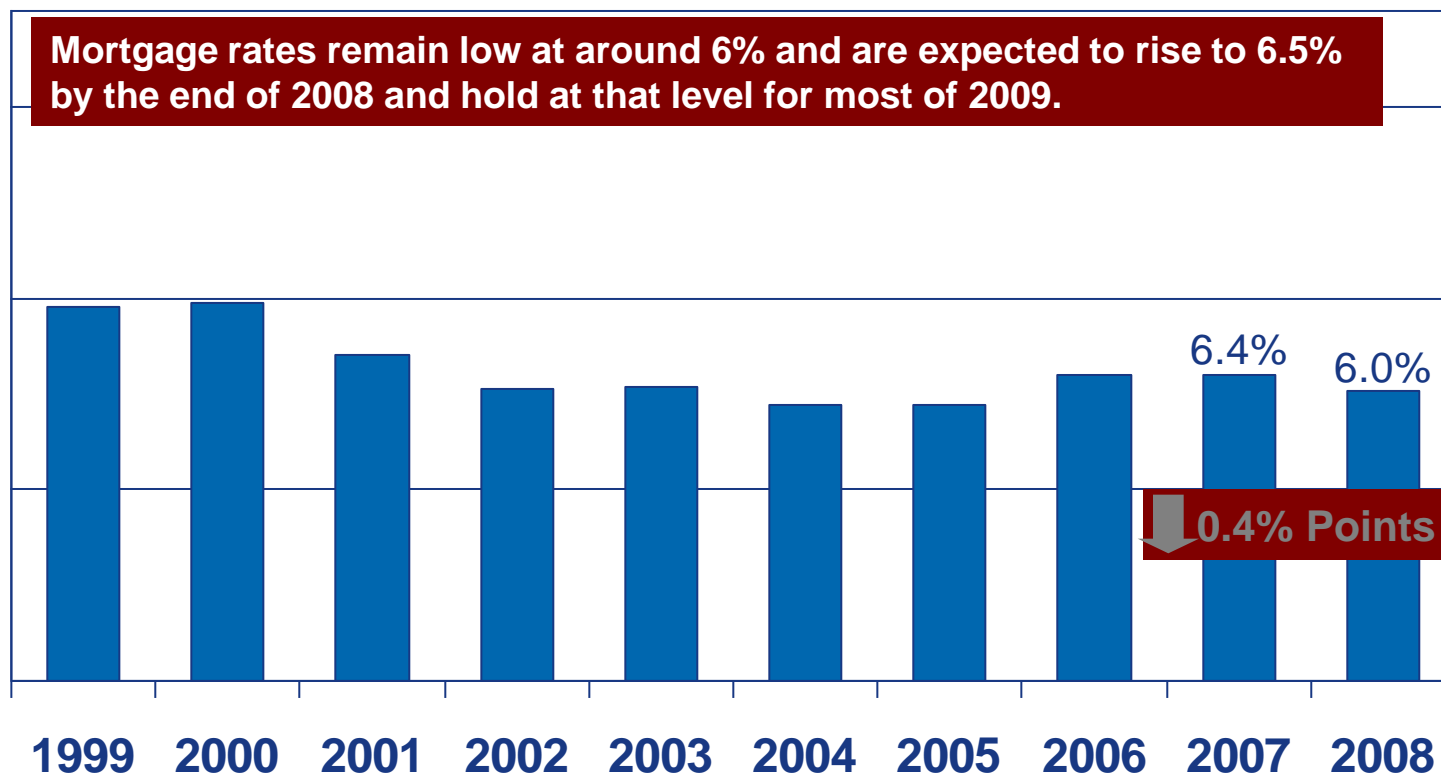
- Median Home Price as of September every year • • • •

Source: NAR



Mortgage Rates (30-Year Fixed)

Mortgage rates remain low at around 6% and are expected to rise to 6.5% by the end of 2008 and hold at that level for most of 2009.



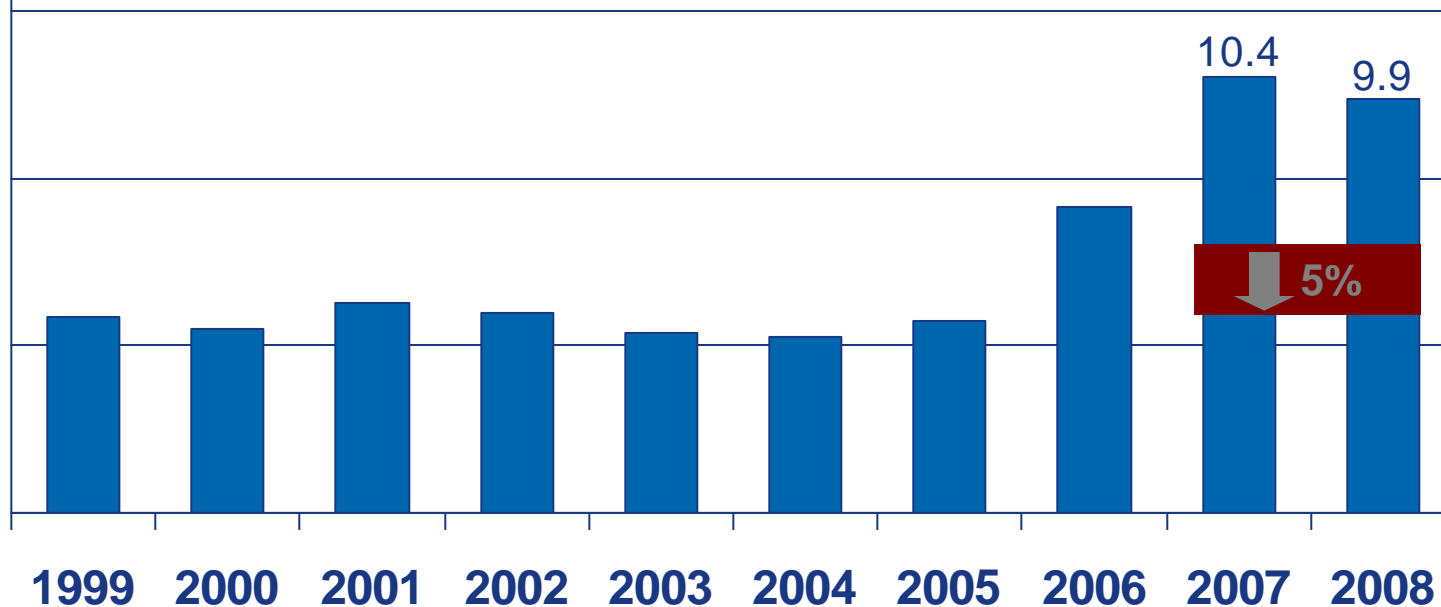
- Mortgage Rates as of September every year

Source: Freddie Mac and NAR



Inventory (Months Supply)

Inventory remains high at 9.9 months of supply. We have seen 3 months of consecutive declines in inventory since the peak in June at 11 months.



- Inventory as of September every year • • • • •

Source: NAR



Housing bottom might be near...

- According to a survey of 840 economists, the majority expect the housing market to stabilize in 2009.
 - Home sales expected to increase
 - Home price declines expected to end
 - Interest rates should remain stable at around 6 or 7 percent

Source: Keller Center for Real Estate Research at Baylor University





General Economy



General Economic Commentary

- Economic uncertainty abounds.
- US economy might already be in a recession even though we do not have official data to support this yet.
- Government is taking action to combat current financial crisis. It is a little early to assess the true impact.



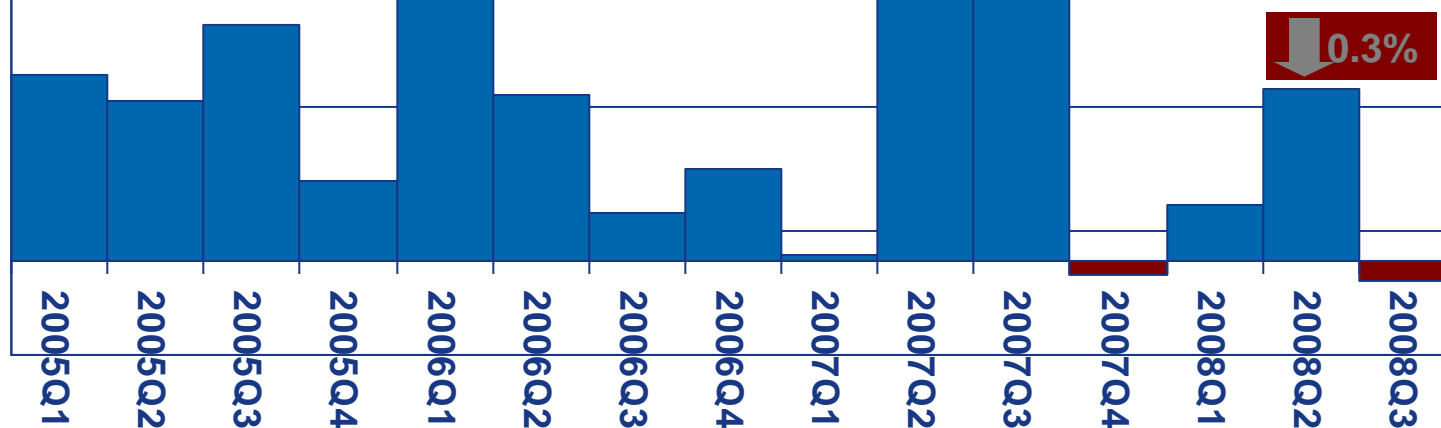


Gross Domestic Product

The economy contracted by 0.3% in the third quarter. According to official measures, we are NOT in a recession.

"We've been in a recession, by any common sense definition."

Warren Buffett



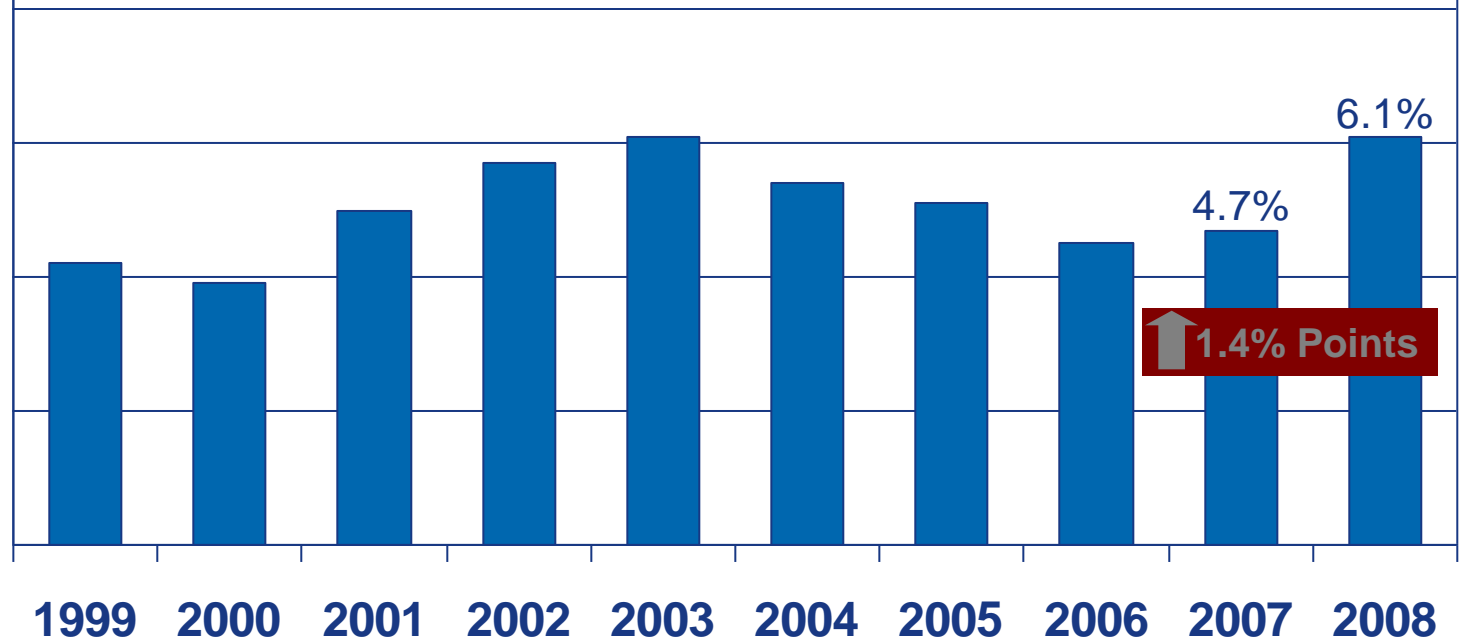
- Classical definition of recession: Two consecutive declines in GDP •

Source: Bureau of Economic Analysis



Unemployment Rate

Potential worry spot. Unemployment rate remained steady in August and September at 6.1% but is still at its highest since 2003.



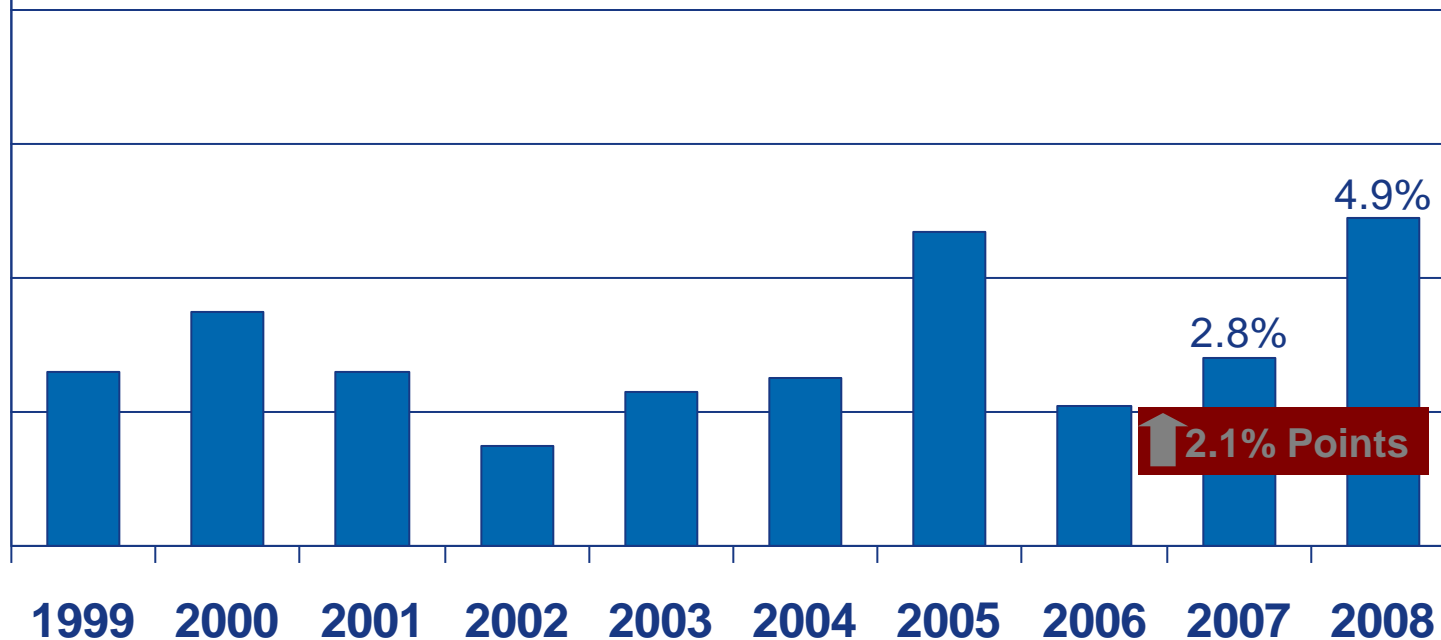
- Unemployment as of September every year

Source: Bureau of Labor Statistics



Inflation

Inflation peaked last April at around 5.4% and has remained steady at around 4.9% in the last two months due to falling energy and food costs.

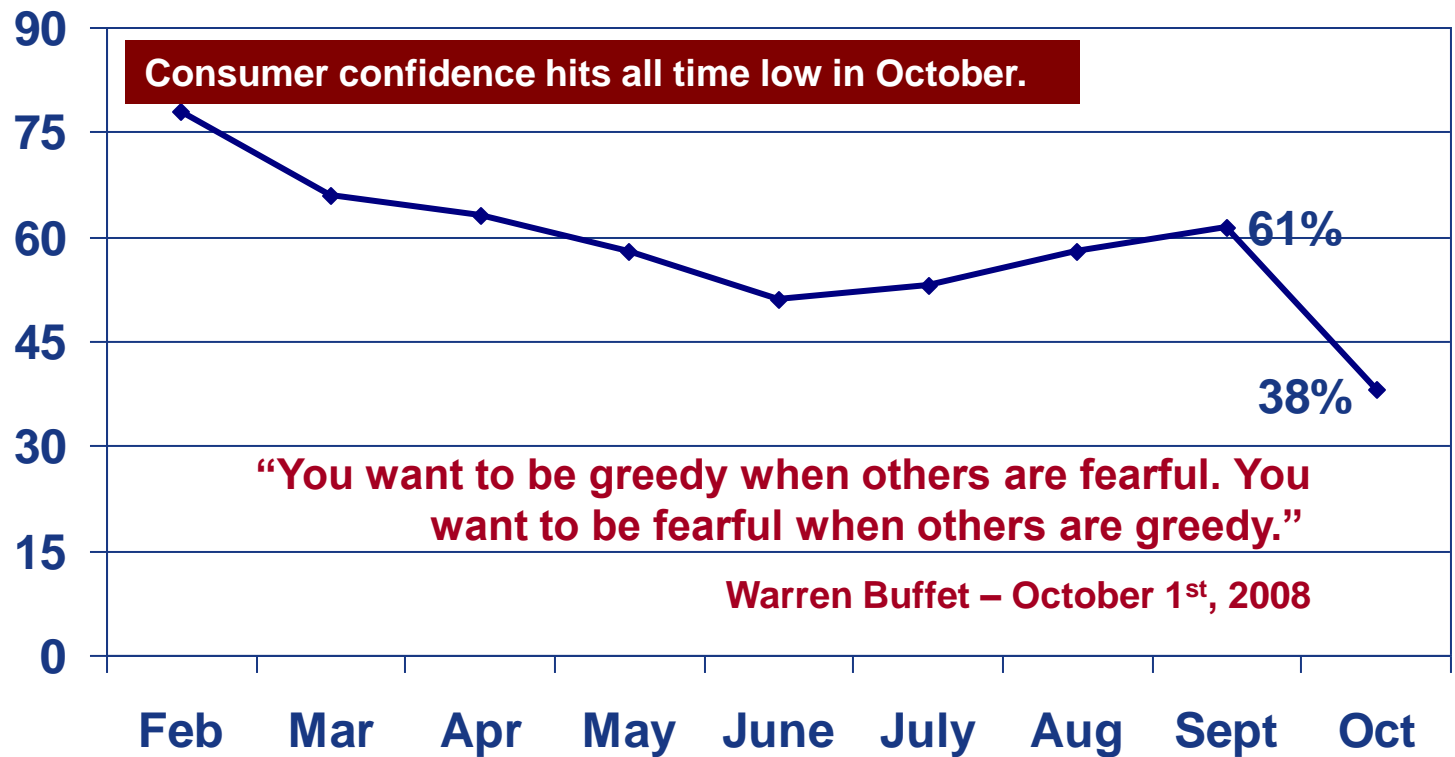


- Inflation (Consumer Price Index) as of September every year

Source: Bureau of Labor Statistics



Consumer Confidence



• Source: Conference Board – Consumer Confidence Survey •



Recent Government Action



Recent Government Action – Oct 21

Federal Reserve announces plan to provide up to \$540B to money market mutual funds.

- Program name:
 - Money Market Investor Funding Facility
- Goal:
 - To improve credit conditions so banks and other financial institutions will be less skittish to lend to each other, consumers and businesses
 - To support private-sector initiatives designed to provide liquidity to money market investors by backing the purchases of short-term debt including CDs and commercial papers that expire in three months or less from money market mutual funds
- Has it worked so far?
 - *“The commercial-paper market loosened as the Federal Reserve's program to lend directly to companies helped provide access to cash for three months, providing flexibility to plan beyond just the day-to-day needs”* – Wall Street Journal – October 29





Recent Government Action – Oct 29

- Fed Reserve cuts interest rates another half percent to one percent.
- Goal:
 - To offset credit crunch that has frozen lending among financial institutions
- US official rates are now at its lowest since June 2004.





For Buyers and Sellers



Study: Longwood University, Virginia

Key Findings:

1. Properties tend to sell faster when sold by firms affiliated with national franchises
2. Overpriced listings take longer to sell
 - Each 10% listing price above the final sales price equals to 30 additional days (1 month) of marketing time
3. Larger homes tend to take longer to sell

Source: Study conducted by Professor Bennie Waller, Ray Brastow and Caitlin Hooe, Longwood University, Virginia. Reported by Tierra Grande.





US Home Buyer Tax Credit

- Up to \$7,500 will be given to first-time purchasers as they file their income tax returns.
 - Will not be available after July 2, 2009
- This is in fact almost like a "credit" -- the amount is equivalent to cash on tax returns.
 - Is effectively an "interest-free" loan – payable over a 15-year time period after the second year
- Benefit to buyers:
 - Money loses value over time – due to inflation
 - Potential strategy: Pay off a high-interest credit card debt with the tax credit money





Moving expenses maybe tax deductible

All moving expenses can be tax deductible if all of the followings are met:

1. Start of work rule:
 - Must begin work in new location within **1 year of the move** in **new location**
2. Distance rules:
 - Distance from **new residence** to **new job** must be less than distance from **old residence** to **new job**
 - Distance from **old residence** to **new job** must be at least **50 miles more** than distance from **old residence** to **old job**
3. Time rule:
 - Must be employed full-time at **new job** for at **least 39 weeks** during the **first 12 months** following the move

Please consult with a tax accountant for a full list of rules and stipulations





Stephanie Zellous, Realtor®
(512) 971-4875
szellous@kw.com
<http://SouthAustinHouses.com>

Keller Williams Realty
1801 S MoPac Exp, Ste 100, Austin, TX 78746
(512) 448-4111

