

# REAL ESTATE TRENDS

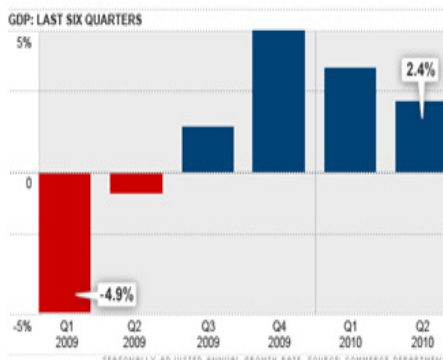
FOR REALTORS. HOMEOWNERS AND PROFESSIONALS

September 2010

## How About Some Ice Cream?

**T**hey keep talking about the "double dip" in the news and just in case you hear that expression, a double dip is not what you do to an ice cream cone! Well, these days, it is always good to introduce some humor when the news is not always great. However, there is some really good news right now. Rates are the lowest they have been all year. That is really saying something, because rates have been very low all year. As a matter of fact, rates on home loans are the lowest they have been in our generation. That is pretty low. Why is that good news? If someone is thinking about purchasing a home or a car or refinancing, it is a great time to move now. Prices are low and rates are ridiculously low, thus the time is right. We need more people to buy homes and cars over the next few months so we can avoid a double dip recession. And that would be a very good thing.

What is the bad news? Rates as low as these are indicative of a slow economy. We just need to see one number from this week to demonstrate how slow things are: first-time claims for unemployment insurance went over the 500,000 mark in the past week. While still lower than the heights of the recession, it was the first time we had crossed the 500,000 barrier since late last year. Once people step up their purchases of homes and cars, this will prompt companies to hire more employees. In turn, this will make consumers more confident to purchase more homes and cars. Then the cycle of economic growth will start back up and talk of a double dip will quiet down. And when that happens, we promise rates will go up. We just can't say when. So, for those who are waiting for the economy to get better, it will cost more for you to purchase if you are behind this curve. The trend setters will just buy their ice cream now while there are enough sprinkles to double dip... ▢



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## Save a Bundle: Shorten the Term

**M**ore homeowners are refinancing into shorter-term loans, saving a bundle by taking advantage of the lowest rates in decades. Nearly a third of borrowers refinancing fixed 30-year loans in April through June picked loans with 15- or 20-year terms, according to housing finance giant Freddie Mac.

# Nearly one-third

It was the highest share since 2004. The trend has been driven by near-weekly drops in rates all summer. Average rates on fixed 15-year loans fell below 4% for the first time in mid-August, dropping to 3.92%, according to Freddie Mac. A year ago, the average 15-year rate was 4.68%.

Meanwhile, the rates on fixed 30-year loans now averaged 4.44% in mid-August, Freddie Mac found. At today's rates, a borrower with a 30-year loan at a 6.5% interest rate and a \$200,000 principal balance could save some \$70,000 in interest over the life of a shorter 20-year loan. "Borrowers are looking to build equity more quickly, and they have generally been paying down their loans more quickly," says Keith Gumbinger, vice president of HSH Associates, a publisher of consumer loan information... ▢

Source: USA Today

## Selected Interest Rates August 19, 2010: RECORD LOWS!

**30 Year Mortgages**—4.42%  
**2010 High (April 8)**—5.21%  
**2010 Low (Aug 19)**—4.42%  
**15 Year Mortgages**—3.90%  
**5/1 Hybrid ARMs**—3.56%  
**1 Year Adjustables**—3.53%  
**10 Year Treasuries**—2.58%

Sources—Fed Reserve, Freddie Mac  
Note: Average rates do not include fees and points. Information is provided for indicating trends only and should not be used for comparison purposes.

## Builders Buying Land Again

**H**ome builders are vying actively to buy land to buy in anticipation of a market turnaround. "There's been an absolute land rush," says Gregor Watson, a partner with McKinley Partners, a California-based real-estate fund. Builders prefer land with improvements, including sewers and streets because it allows homes to be constructed quickly.

Especially attractive are suburban lots in neighborhoods that are easy commutes. Nationally, the price of finished lots are up about 20 percent from early 2009. Prices for attractive lots in Phoenix and Southern California have risen 60 percent. Nationwide, the best-located lots are fetching twice as much as they would a year ago, said Greg Vogel, CEO of Land Advisors Organization, a land brokerage firm based in Scottsdale, Arizona... ▢

Source: The Wall Street Journal

## Did you know...

- ◆ Home affordability remains near 10-year highs, according to the second edition of the Administration's Housing Scorecard released by the US Department of Housing and Urban Development (HUD) and the Treasury Department.
- ◆ U.S. home prices, including distressed sales, increased by 2.9 percent compared to the same month last year, according to CoreLogic in its monthly index. May was the fourth straight month prices showed a year-over-year increase
- ◆ The Federal Emergency Management Agency is offering two years of eligibility for the program's Preferred Risk Policy, the cheapest option, to home owners and small businesses whose properties are in a newly-designated special flood hazard area. The deal will be available after the redrawn maps take effect, in most cases this fall or next winter. The preferred risk plan discounts the full rate by 75 percent to 80 percent... ▢ Source: Associated Press