KELLER WILLIAMS REALTY

7 Reasons Why Now is a Great Time to Buy a Home!

A Smart Buyer's Guide to Seizing the Market

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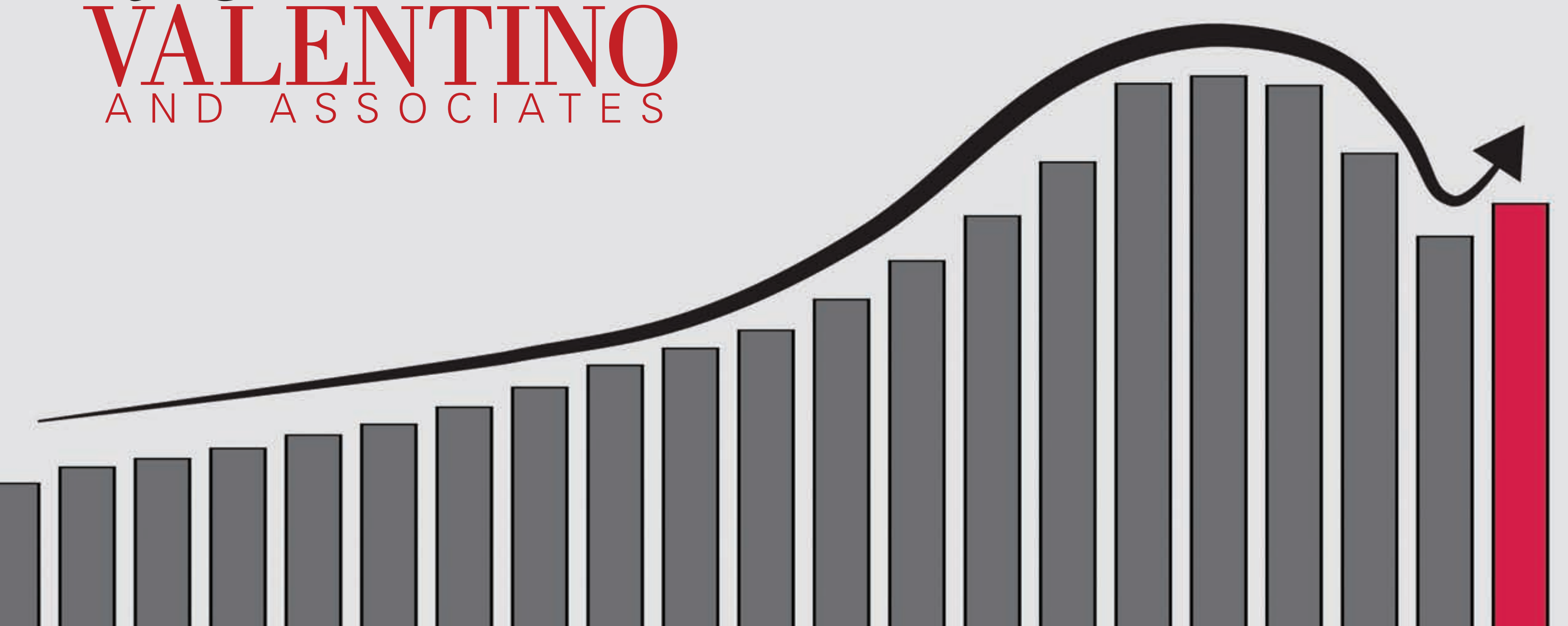
RACHEL VALENTINO AND ASSOCIATES



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It's Prime Time! to buy a home

No doubt you've heard the news: the housing market hit a rough patch this summer. Sales of existing homes declined at a rate that took many by surprise, sending pundits into a "what's next" tailspin.

As the prognosticators pondered, savvy buyers didn't miss a beat. They got that the doomsayers were taking a one-dimensional view of the buyer's market and that market skittishness gives rise to an even more favorable climate for buying 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.

News Flash!

Another $8,000 tax credit is off the table

Doug Duncan, Fannie Mae's chief economist, contends that further intervention at the federal level will be counterproductive. At today's rock-bottom rates, buyers stand to save $8,000 many times over during the course of a 30-year mortgage.

At a Glance: Why NOW is the Prime Time to Buy!

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.

Mortgage rates are at rock bottom. It's hard to imagine interest rates going much lower, and when they start to inch back upwards, monthly payments and total loan costs will spike upwards.

Home prices are back on the rise. After declining for 30 months, home prices are trending back upward. The time get in to the market is NOW!

Sellers are motivated. This means that buyers have the upper hand! From banks looking to dispose of foreclosed properties to homeowners who are fiercely competing among an excess of housing inventory, buyers have untold choices and negotiating power.

Financing is readily available! Banks are back in the game and ready to lend to well-qualified buyers.

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.

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.

1. [Homes have never been more affordable]

For individual home buyers, there are only a few facts that really matter:

- Can I afford this home?
- Is it a good investment?
- Does it meet my family's needs?

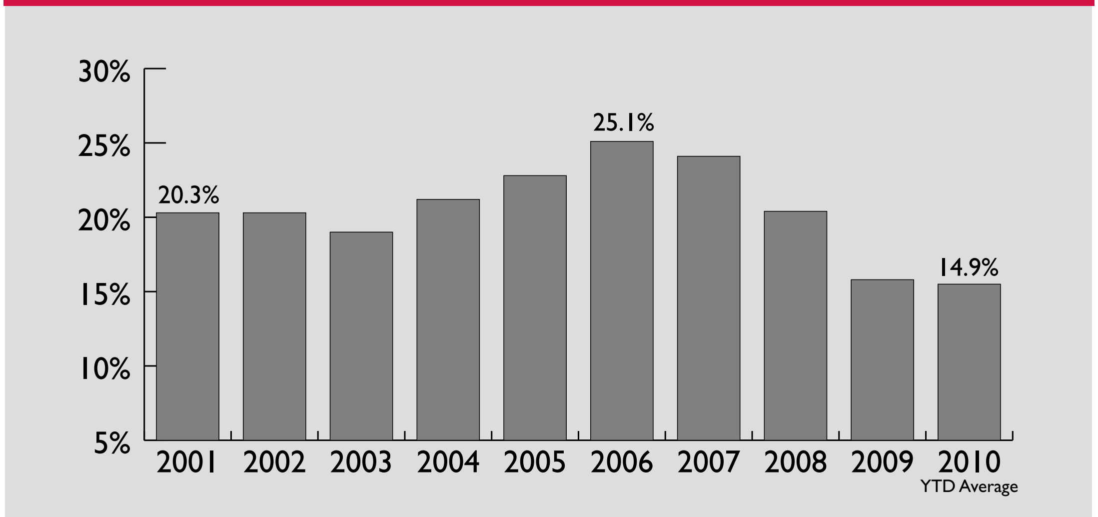
So it's a bit surprising that the most important housing statistic has gone largely unreported: **homes have never been more affordable**. Affordability, measured by the median mortgage payment on the current median-priced home ($182,400) as a percentage of the median household income ($64,400), is lower than it's been in a generation. The chart below, which tracks housing affordability for the past 10 years, shows incredible improvements in affordability since the height of the real estate boom in 2006.

[Buyers have the edge!]

"Home buyers over the past year got a great deal, and buyers for the balance of this year have an edge over sellers. Affordability could reach a generational high in the second half of this year because of rock-bottom mortgage interest rates, helped partly by the Fed's very accommodative monetary policy."

-Lawrence Yun, Chief Economist
The National Association of REALTORS®

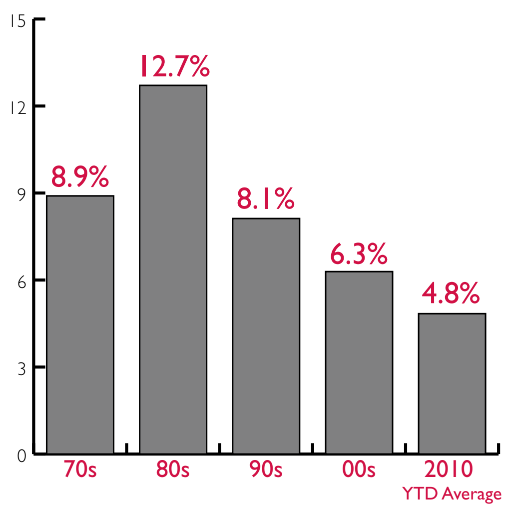
Median mortgage payment as a percentage of median household income



2. [Mortgage rates are at rock bottom and won't stay there forever]

The national average on a 30-year fixed-rate mortgage dropped to 4.36 percent in Aug 2010 – lower than it's been in the past half century. **Interest rates for the same time last year averaged 5.19 percent, representing a difference of $90 in the monthly payment on a $200,000 home with 10 percent down, as well as a savings of $32,460 over the life of the loan.**

Rates Reach Record Lows



[How low can they go?]

Doug Duncan, Fannie Mae's chief economist, notes that the current market is highly favorable for home buyers. "Interest rates are at historic lows. It's hard to imagine rates going any lower than they are now. House prices have come down considerably, and if your credit is good, there's lots of money available."

Small rate increases spell surprising cost spikes!

Interest Rate	4.36%	5.19%	6%	7%	8%
Monthly payment and interest	$897	$987	$1,080	$1,198	$1,321
Difference in monthly payments		$90	$182	$300	$424
Total interest paid over the life of the loan	$142,964	$175,424	$208,509	$251,116	$295,480
Interest saved over the life of the loan		$32,460	$65,545	$108,152	$152,516

**Based on the purchase of a $200,000 home with 10 percent down on a 30-year fixed-rate mortgage.*

3. [Prices are trending back up]

Every major price index points to a housing market that has hit bottom and is moving in a positive direction. After 30 months of declining values, **home prices appear to be stable or appreciating in nearly every U.S. market**. In August of 2010, the median home price was $182,600, amounting to an 11 percent increase over the low that was reached in February of 2010 at $164,000.

Standard & Poor's Case-Shiller index reported during the first week of September that home prices were up in 15 of the top metropolitan areas, amounting to a nationwide gain of 4.2 percent over this same time last year.

In other words, staying on the fence and waiting for prices to drop further is OVER!

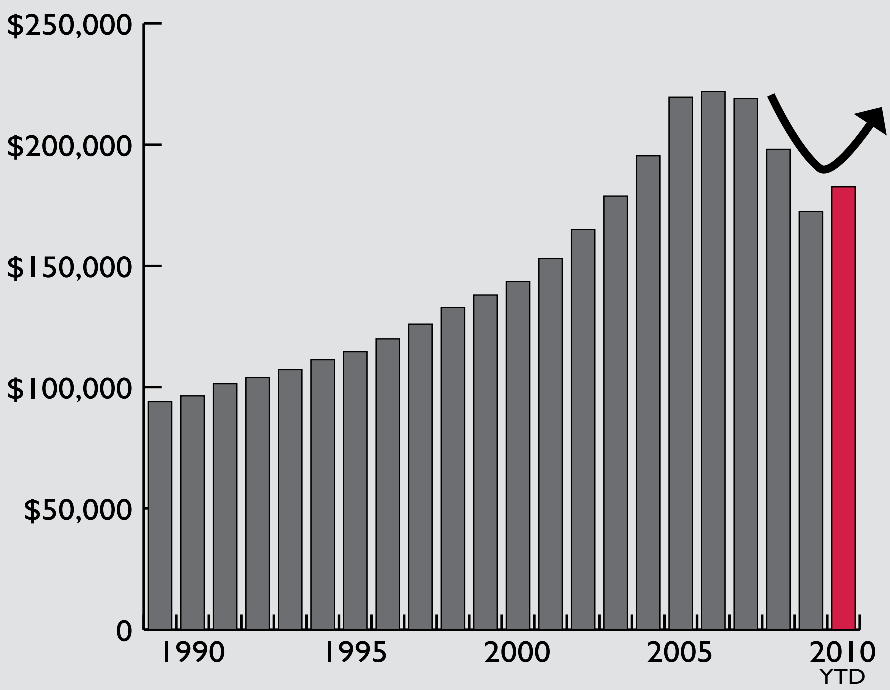
[Upward Momentum]

"The market is probably going to zig and zag a little for the next six months, but it's not going to drop any further."

-William Wheaton
Professor of Economics and Real Estate
MIT, Boston, Mass.

Median home prices pick back up

After a 30-month search for the floor, prices change direction.



4. [Sellers are motivated!]

When supply exceeds demand, buyers have the upper hand–and that's where we are now!

The current supply of homes for sale now stands at 12.5 months, meaning that at today's pace of home sales, it would take 12 and a half months for the existing inventory to sell.

At the same time, recent market upheaval has given rise to a surplus of foreclosed properties that banks are eager to sell, and an increasing number of listing agents are also negotiating "short sales" with banks to sell their clients' properties at a price that's less than what they owe on their mortgage. Collectively known as "distressed properties," short sales and foreclosures are available at every price range and tend to sell for an average of 20 percent below market value – and sometimes much more.

Distressed properties are now part of the mainstream of real estate transactions. According to the National Association of REALTORS®, 32 percent of all homes sold since the beginning of 2010 have been either a short sale or a foreclosure. So now's the time for smart buyers who are looking for a deal to seize the opportunity!

What does this mean for you?

For you as a buyer, this means lots of choices, lots of negotiating power and that **smart sellers are fiercely competing for your business**, both in terms of the price and the condition of their homes.

5. [Lenders are back in the game!]

The subprime mortgage crisis brought underwriting standards back into the mortgage origination process. And while the final quarter of 2009's financial meltdown led to a sense that financing had dried up, mortgage funds are now available.

"If you have a job and can afford the payment, chances are you'll qualify for a mortgage," says David Reed, a mortgage banker and author of *Mortgage Confidential: What You Need to Know That Your Lender Won't Tell You*.

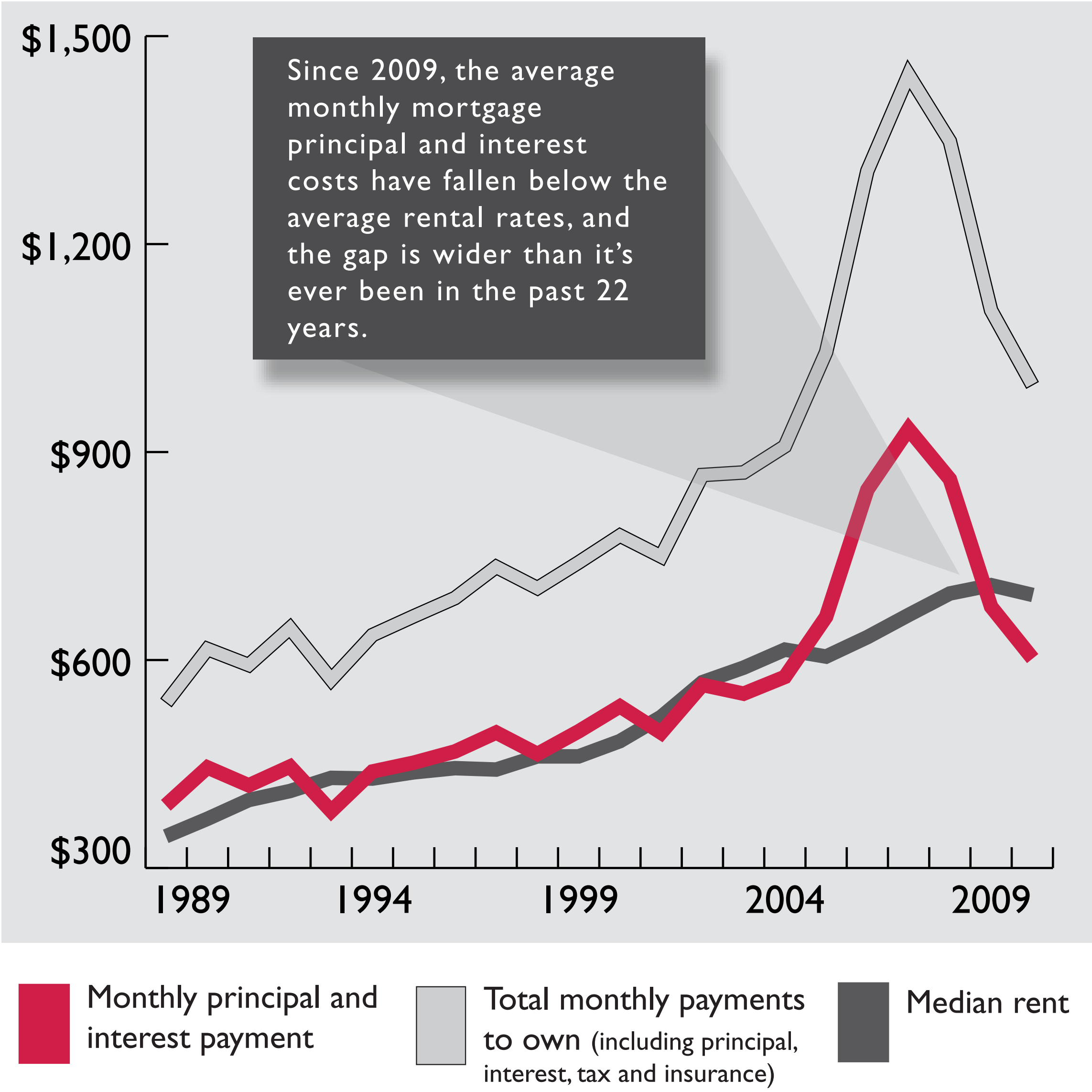
Also noteworthy is the recent drop in jumbo mortgage loan rates and an uptick in the high-end of the housing market. The sector which was not bolstered by the $8,000 first-time home buyer tax credit is faring quite well, providing further evidence that the recent sales setback is simply a function of the market readjusting to the expiration of the tax credit.

6. [Ownership costs are dropping below rental costs!]

The recent downturn in the housing market resulted in a drop in rental rates, but rents are back on the rise while the cost of home ownership has dropped.

As the chart below indicates, as average apartment rental rates have slightly decreased, the decline has been moderate in comparison to home values, which have declined nationwide by 30 to 40 percent since the peak of the housing boom.

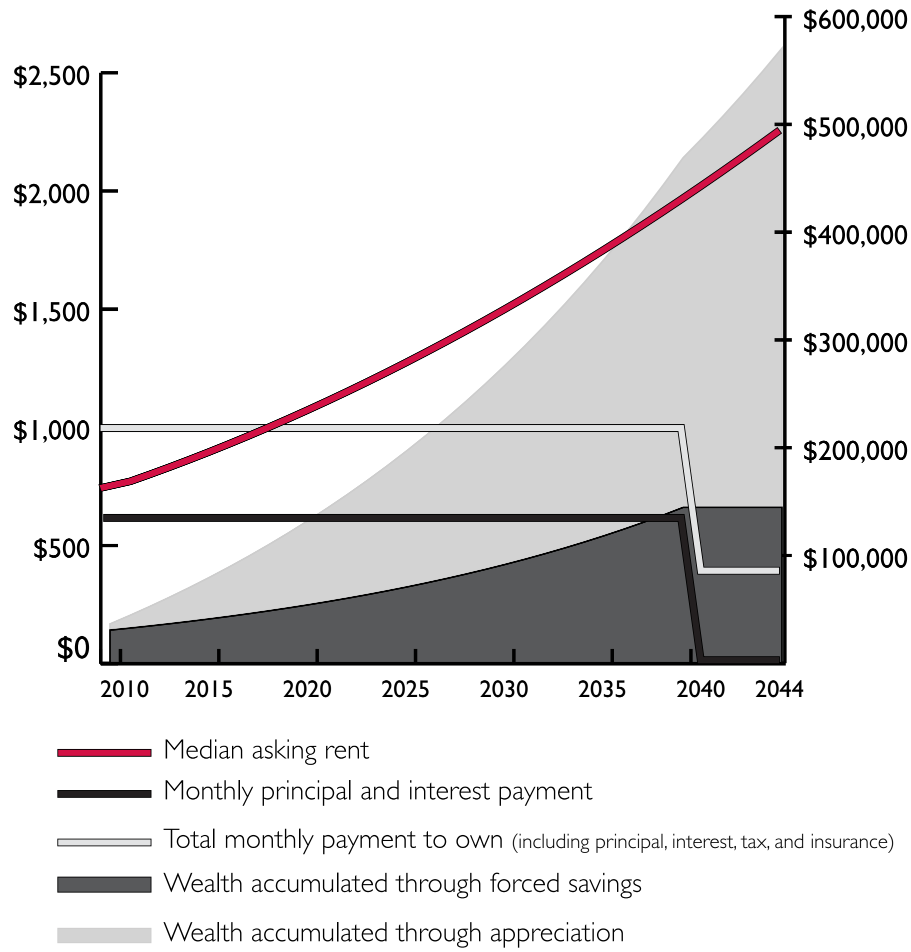
Looking back ...



7. [Home ownership remains at the core of the American Dream]

A recent Fannie Mae study reveals that the majority of Americans still aspire to own a home – and for good reason. Owning a home is critical to financial stability and wealth building. A home serves as a forced savings account and provides a solid asset, as well as a place to live. Despite the recent market upheaval, the vast majority of Americans still consider home ownership to be important to the economy and preferable to renting. Since the end of World War II, promoting home ownership has been high on the list of the federal government's priorities, and will continue to be so.

As the graph below points out, the rent vs. buy equation needs to also take into account that **rents are subject to increase every year, and mortgage payments remain fixed throughout the life of the loan***. Another key factor in the affordability picture is the federal tax deductibility of mortgage interest, which amounts to an annual savings of thousands of dollars for the average homeowner.



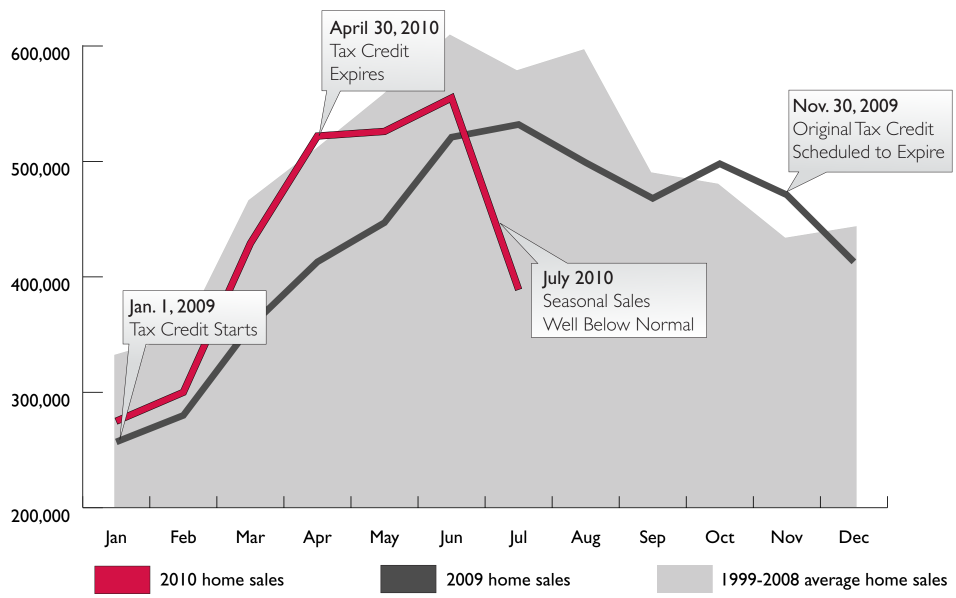
**Based on the purchase of a $200,000 home with 10% down on a 30-year fixed-rate mortgage.*

Recent decline in home sales: Perfectly predictable

While many in the media have run with the temptation to attribute the summer sales lull to a deteriorating housing market, economists are looking at the big picture and pointing to an inevitable outcome of the expiration of the $8,000 first-time home buyer tax credit, which went into effect in January of 2009 and expired April 30, 2010.

Throughout 2009, the pace of home sales picked up as buyers and real estate agents latched onto the program, topping 5 million in July of 2009 and then peaking at 6.5 million in November of 2009, the month that the program was originally slated to expire. The expiration of the tax credit on April 30, 2010 led to a sharp decline in May sales and an even more significant drop in June and July.

Following July's 27 percent drop in sales, the National Association of REALTORS® reports that pending home sales for August are up 5.2 percent.



Vive la lull!

Back in the heyday when housing was hot, properties were snatched up the second they hit the market and prices were going up and up and up, it was an "exciting" time to buy a home. And then, the bubble burst, the market cooled and housing went from speculative to safe again, from volatile to sensible, from a place to flip to a place to live.

Far better options by any measure for the smart buyer who knows how to recognize an opportunity when they see one!

This is a prime time to buy a home!

Partner with the best!

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"We helped 40 groups find & buy their first home or dream home last year. Can we help you improve your life in 2011?"

Years from now, when we look back on the current market, some people will be thoroughly grateful that they were astute enough to act on the opportunities that were presented. Others will look back and say, "if only..."

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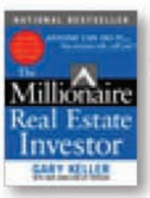
Whether investing in real estate or buying your first home, the current market represents an unparalleled opportunity. Here are two great resources to guide you!



- *New York Times* Bestseller ***The Millionaire Real Estate Investor***, written by Gary Keller and his writing team of Dave Jenks and Jay Papasan, covers all that you'll need to know about building a profitable real estate portfolio.

- If you are new to the home-buying process, take advantage of the wealth of information presented in ***Your First Home: The Proven Path to Home ownership***.