

From the River to the Sea

KEEPING CURRENT

by Diane Moore Steelman, REALTOR®, SRS

NOW is the Best Time To Buy and Sell a Home in 25 Years!

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Welcome to my first monthly newsletter. With all the news media targeting a decrease in sales and prices and the sub-prime foreclosure market, I would like to put aside emotion and bring together facts, figures and expert opinions in order to understand the trends and opportunities of our current market. I have subscribed to a firm that researches the national real estate media monthly and will provide me with numerous articles and sources, while I compile local articles.

In summary, this is the best time to buy or sell a home in 25 years.

For purchasers, here are the reasons to buy:

- Home prices have fallen 10-15% and will continue to fall, or have stabilized or appreciated slightly, depending on the local market.
- Interest rates are expected

to increase for the next year.

- Average rent is projected to rise.
- The share of a typical family's income needed to pay mortgage payments has decreased significantly.
- Homeownership is nearly always profitable, giving significant price appreciation and return on equity (cash down) over time.
- Prices would have to drop significantly to neutralize the increasing interest rate.

the buyer's closing costs, homeowners ability to take cash out up to 95% of the home's value, and loans not being FICO driven and requiring as little as 3% down.

For sellers here are the reasons and tips to sell:

- Your home is worth more today than tomorrow if prices continue to decline.
- If foreclosures or short sales are occurring in your area, home prices will eventually be devalued.
- The Wilmington area is considered overvalued. It has been shown that sales increase if list prices are reduced.
- To encourage buyers, recommend a FHA loan to your potential buyers and offer to pay closing costs.

<u>Price Today</u>	<u>Price With 10% Drop</u>
\$218,900	\$197,010
5.5% Interest	6% Interest
<u>Monthly Payment</u>	<u>Monthly Payment</u>
\$994.31	\$994.94

- FHA loans have adopted more lenient policies: seller's ability to finance all

Falling Prices

Falling prices are good news for home buyers, making it increasingly likely that they will be able to find a property at a price that is significantly lower than it would have been two years ago.

Source: Wall Street Journal 04/24/08

JP Morgan Chase & Co. Chief Executive Officer Jamie Dimon said he expects U.S. home prices to drop as much as 9% this year as even borrowers with the best credit have difficulty keeping up their mortgage payments.

Source: Bloomberg.com 04/16/08

Goldman's chief U.S. economist, Jan Hatzius, projects house prices will fall an additional 10% before stabilizing late next year. But he also sees a risk that home prices will fall further, particularly if the foreclosure problem proves worse than already expected.

Source: Wall Street Journal 04/24/08

Falling Prices, cont'd.

Credit Suisse expects home prices will fall by 10% in 2008 and 5% in 2009, before rebounding.

Source: Reuters 04/22/08

Yale University economist Robert Shiller, pioneer of Standard & Poor's/Case-Shiller home-price index, said there's a good chance housing prices will fall further than the 30% drop in the historic depression of the 1930s.

Source: Wall Street Journal 04/22/08

Home prices as of February 2008 have experienced a -5% to 0% change in the past 12 months in 13 states, including North Carolina. Seventeen states showed price appreciation.

Source: First American CoreLogic, Loan Performance HPI, 12 month change by state; single family detached series.

There are signs that prices might be starting to stabilize. The median U.S. home price rose to \$200,700 last month from a revised \$195,600 in February, the Realtor's report said. And the Office of Federal housing Enterprise Oversight's home-price index showed prices rising a seasonally adjusted 0.6% in February from January, the first monthly gain since June.

Source: Wall Street Journal 04/23/08

Home Sales Fall—Signs of Stability Emerge

Existing home sales fell 2% last month (March) to a seasonally adjusted annual rate of 4.93 million, the National Association of Realtors said. The drop followed an increase of 2.9% in February, the first monthly gain since July. Home sales were down 1.3% from the 6.11-million-unit pace recorded in March 2007.

Source: Wall Street Journal 04/23/08

Gus Faucher, director of macroeconomics for Moody's Economy.com, a consulting firm, said his company believes home sales are at or near bottom.

Source: The Associated Press 04/14/08

"While it remains too early to definitely call a bottom, we continue to argue that home sales will stabilize by midyear," said Stephen Stanley, chief economist at RBS Greenwich Capital.

Source: Wall Street Journal 04/23/08

Boston, Cleveland, Detroit, Sacramento and San Diego have all seen sales increases recently after a period of price declines, according to a March report by Radar Logic, a real estate data and analytics firm. In Detroit, sales of homes and condos rose 12.8% in February compared with a year ago, according to Realcomp.

Source: USA Today 04/17/08

Home builders such as Ryland, KB Home, Hovnanian, and D.R. Horton, have already appreciated more than 50% from the low points in January as the outlook has become far more optimistic.

The reality is improvements are on the way and to take advantage of its eventual arrival, one must look past the conditions directly in front of them and focus on the capacity for a turnaround.

Source: Seeking Alpha, Wall Street Strategies 04/24/08

Mortgages and Interest

"The increase is directly attributed to heightened inflationary concerns."

Freddie Mac chief economist Frank Nothaft 4/25/08

"With elevated inflation, the Federal Reserve should be extra careful about further rate cuts. Mortgage interest rates, which **do not** move directly with Fed Funds rates, may rise measurably and hurt the housing recovery if inflation gets out of hand."
- NAR chief economist Lawrence Yun 4/18/08

Fannie Mae and Freddie Mac agreed last Friday to buy more jumbo loans for major lenders, making it easier for borrowers to get these kinds of mortgages. Tom Kelly, a spokesman for Chase, said the Freddie Mac agreement "is going to make more money available in high-cost markets and the rates are obviously going to be less" than they have been.

Source: The Boston Globe 04/19/08

On the other hand, buyers in many parts of the country are able to take advantage of more lenient policies for FHA loans. However, because lenders don't have enough underwriting experience with FHA loans in high-cost areas, there are localized bottlenecks in loan processing.

NAR President Richard F. Gaylord

Interest rates are expected to go from a low of 5.7% second quarter 2008 to 6.4-6.5% by fourth quarter 2009.

Source: PMI Housing & Mortgage Market Review, 2/08

Libor is one of the world's most important financial indicators. It serves as a benchmark for \$900 billion in sub-prime mortgage loans that adjust typically every six months according to its movements. The three-month dollar Libor rate increased after the British Bankers Association said it planned to speed up a review of the Libor system. It increased 0.08375% from April 10th to 17th. Source: Wall Street Journal 04/19/08

The Time To Buy

This could be the time to buy a house. I'm not minimizing the risks in the housing market, because they're very real. Nor am I predicting any sort of miraculous turnaround in the next six months. But I'm still a believer in the long-term viability of housing as a solid investment if you buy at the right price. This has me thinking that the current shakeout is in fact creating an interesting sweet spot.

Susie Orman Freep.com 04/21/08

Average rent is projected to rise 5.3 % in 2008, up from a 3.1% increase in 2007.

Source: Rentometer and USA Today 04/22/08

Home sales and prices throughout most of the coun-

try are poised for improvement in the second half of 2008, and the recovery will vary by market, Lawrence Yun, chief economist for the National Association of Realtors said today during NAR's Midyear Legislative Meetings & Trade Expo. There are many reasons for people to get into the housing market today, and very few reasons not to. With the plentiful supply of homes for sale at affordable prices, interest rates approaching 40-year lows, and the strong track record of housing as a good long-term investment, conditions are ripe for buyers.

May 15, 2008

Goldman's chief U.S. economist, Jan Hatzius, says the

share of a typical family's income needed to pay mortgage payments on a median-priced house averaged:

1993-2003—17.5%

2006—26%

Today—20%

Source: Wall Street Journal 04/24/08

Yes, it is very likely that April 2008 will mark the bottom of the U.S. housing market. Most people forget that the housing bust is nearly three years old. So what's going to stop the housing decline? Very simply, the same thing that caused the bust: affordability. House prices have fallen 10-15%, while incomes kept growing and mortgage rates have come down 70

basis points from their highs.

Source: Wall Street Journal Opinion Journal - Mouolle-Berteaux, Traxis Partners LP, a hedge fund firm in NY.

There is a "return to normalcy" in the relationship between home prices and incomes, says Richard DeKaser, chief economist at National City Corp. In an analysis of 330 metro areas in the fourth quarter of 2007, National City and Global Insight, an economic research firm, found:

Home prices overvalued in relation to household income

2nd quarter 58

4th quarter 21

Source: Wall Street Journal 04/24/08

The PMI Value of Homeownership Study

5 years 10 years 15 years

Price appreciation

35% 71% 110%

Return on equity

139% 301% 498%

Source: PMI October 2007

The delinquency rate for the 1st quarter of 2008 for NC was in the 3-4% range.

Source: Wall Street Journal

Foreclosures

Falling U.S. home prices and a lack of available credit may result in foreclosures on 6.5 million loans by the end of 2012, according to a Credit Suisse research report on Thursday. Foreclosures could put 12.7% of all residential borrowers out of their homes, Credit Suisse analysts, led by Rod Dubitsky, said in the report. That compares with a foreclosure rate of 2.04% in the last quarter of 2007.

Source: Reuters 04/22/08

1 in 33 homeowners is projected to experience foreclosure on their home as a result of their high-cost loan.

43.5% of all homeowners will likely feel the ripple effects of foreclosures from sub-prime loans.

Affected homeowners are expected to lose \$8,771 on average from property values.

The U.S. is projected to lose \$356 billion from its state and

local tax base.

Source: Pew Report 04/16/089

North Carolina is projected to have 1 out of 44 foreclosures to homeowners with 332,375 neighboring homes experiencing devaluation and a decrease in value/tax base of \$861 million. The U.S. average of projected foreclosures is 1 out of 33.

Source: Foreclosure estimates from Pew Center on the States

Local News

Wilmington, NC, was listed as in the top 100 places to live in America in 2007.

Source: Relocate- America's Top 100 in 2007

The central to southern coastal area of North Carolina is considered one of the few areas in the U.S to be overvalued.

Source: Global Insight 02/08

March 2008 MLS Results:

Wilmington:

The listing inventory increased 2.5% over February.

The average list price of \$430,226 is up by 1.6% from February.

The number of sold homes in March is up 1.8% from last month.

The average sold price is down 3.9% from last month

and down 9.9% from March 2007.

The first three months of 2008 have our average sales price down by 3.4% from the first three months of 2007.

Our number of sold units has decreased 22% over this time last year.

There is a 15 month supply of single family homes, a decrease over last month.

The average list price of sold properties is \$246,055 and the average sold price is \$235,033 for March which gives us a 95.5% list to sold price ratio. The list to sold price ratio has moved down from last month.

Carolina & Kure Beach:

There are currently 698 single family homes for sale, a 2 unit decrease over March and 12% of the total inventory.

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There is a 53.69 month supply of homes, a slight decrease from last month. From April 2007 to March 2008 there were 231 sales for an average sales price of \$406,326. From April 2006 to March 2007 there were 305 sales for an average sales price of \$437,401.

Source: David Flory, data from Wilmington Regional Association of Realtors Inc. 4/13/08

1st quarter 2008 compared to yr. end 2007:

	2 8 4 1 1	2 8 4 1 2	2 8 4 0 3	2 8 4 0 5	2 8 4 0 9
2008 av g sales price	\$ 309,654	\$205,692	\$ 239,423	\$ 313,801	\$312,326
2007 av g sales price	\$ 321,727	\$234,645	\$ 248,406	\$ 350,725	\$325,585
% c h a n g e	-3.80%	-12.30%	-3.60%	-10.50%	-4.10%
2008 % s e l l e r c o n c e s s i o n s	2.5%	2.2.10%	2.2.40%	2.2.50%	1.3.70%
2007 % s e l l e r c o n c e s s i o n s	1.9.40%	1.9.90%	1.7.50%	1.5.10%	1.5.90%
av g list price 2 0 0 8	\$ 318,692	\$210,323	\$ 252,849	\$ 328,189	\$326,717
av g list price 2 0 0 7	\$ 331,146	\$240,293	\$ 257,737	\$ 365,902	
% c h a n g e	-3.80%	-12.50%	-1.90%	-10.30%	-3.40%
av g d a y s o n m a r k e t 2 0 0 8	118	101	114	107	
av g d a y s o n m a r k e t 2 0 0 7	91	86	82	102	
m e d i a n s o l d p r i c e c h a n g e	0.06%	-5.40%	3.40%	-13.90%	
s o l d / l i s t 2 0 0 8	97.16%	97.80%	94.60%	95.62%	
s o l d / l i s t 2 0 0 7	97.16%	97.65%	96.30%	95.85%	

Source: Star News Susan Lacy, President W R A R

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