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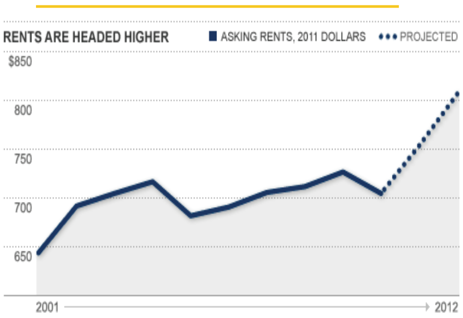
Real Estate Trends For Realtors, Homeowners and Professionals

April 2011

World Crisis And Employment

We had such profound news in the past several weeks that many economic reports took a back seat. In a recovery, we typically analyze each piece of economic data with a microscope. Not this past month. This lack of focus is explained by the severity of the world-wide events that have occurred. First, we have had an entire region of the world which has seemed to rise up at once and challenge their leaders. The government of two countries have fallen and another is in the midst of a civil war. To make matters even more complex, the region is a significant supplier of oil. Then the world was shocked by the tragic earthquake and tsunami in Japan, the world's third largest economy. If the devastation, which left thousands dead and hundreds of thousands homeless was not enough for Japan to endure, the long-term risks of a nuclear power crisis hovered over the region in the weeks after the tragedy.

These events serve as a reminder as to why predictions are rarely ever reliable. They are also a reminder that we can't just focus upon what is happening within our own economy in order to monitor the recovery. We truly participate in a world-wide economy. This does not mean that our economic reports can take a back-seat forever. Right now we are seeing much evidence that the recovery is continuing, though the real estate sector is still a drag upon growth. At the risk of sounding like a broken record, there is only one factor which will help us out of the real estate slump more quickly -- stronger employment growth. As we go to press, we have the release of a very important employment report. Last month we had a positive report. One positive report does not presage a stronger recovery, but two strong reports can start a trend. Stronger job growth will translate into a quicker recovery for real estate. It will also put our economy in a better position to withstand some of these world-wide shocks...



Tax Time Here For Homeowners

Many of the nation's 75 million home owners may be appreciating the value of home ownership just a bit more as the tax deadline approaches. "Owning a home offers myriad benefits throughout the year, but some of the financial advantages of home ownership are most apparent at tax time," said National Association of Realtors® President Ron Phipps.

...80-90% Of All Taxes

A number of tax deductions and credits are still available for home owners; these include deductions with specific limits for home loan interest and capital gains on home sales, and credits for certain energy-efficient improvements. Even with these benefits, home owners pay 80-90% of all U.S. federal income taxes. "It's been suggested that many of today's tax incentives for home ownership primarily benefit wealthy individuals, but that's simply not true," said Phipps. "As today's public debate continues about what home ownership means for families, communities, and the nation's economy, there's no question that for many, owning a home is still the best way to begin building wealth." Over 90% of home owners who claim the interest deduction earn less than $200,000 a year, and the ability to deduct the interest paid on a home loan can mean significant savings at tax time.

Source: NAR.org

Selected Interest Rates

March 24, 2011

30 Year Mortgages—4.81%
2010 High (April 8)—5.21%
2010 Low (Nov 11)—4.17%
15 Year Mortgages—4.04%
5/1 Hybrid ARMs—3.62%
1 Year Adjustables—3.21%
10 Year Treasuries—3.39%

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.

Beware: Rents Are Headed Higher

Already, rental vacancy rates have dipped below the 10% mark, where they had been lodged for most of the past three years. "The demand for rental housing has already started to increase," said Peggy Alford, president of Rent.com. "Young people are starting to get rid of their roommates and move out of their parent's basements." By 2012, she predicts the vacancy rate will hover at a mere 5%. And with fewer units on the market, prices will explode. Rent hikes have averaged less than 1% a year over the past decade, according to Commerce Department statistics, adjusted for inflation. Now, Alford expects rents to spike 7% or so in each of the next two years -- to a national average that will top $800 per month. In the hottest rental markets, the increases will likely top the 10% mark annually for the next couple of years.

This is a sharp change from the recession, when many Americans couldn't afford to live on their own. More than 1.2 million young adults moved back in with their parents from 2005 to 2010, said Lesley Deutch of John Burns Real Estate Consulting. Many others doubled up together. As a result, landlords had to reduce prices and offer big incentives to snag renters. Now that the recession is easing, many of these young people are ready to find new digs, mostly as renters, not owners. Plus, millions losing their homes to foreclosure are looking for new places to live. Apartment developers may not be able to keep up with this heightened demand, which will force prices upwards, according to Chris Macke, a real estate analyst with CoStar, which tracks multi-family housing trends...

Source: CNN/Money.com

Did you know… *Nearly 70% of buyers and sellers say they believe the housing market and property values will recover in the next year or two, according to a new survey by Prudential Real Estate. Those surveyed said they also are ready to buy: Six in 10 respondents say they are more interested in buying real estate...*
Source: RISMedia.com

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