



ALEX'S NEWSLETTER

NOVEMBER 2009

BIG REBOUND IN EXISTING-HOME SALES SHOWS FIRST-TIME BUYER MOMENTUM

Existing-home sales bounced back strongly in September with first-time buyers driving much of the activity, marking five gains in the past six months, according to the National Association of Realtors®.

Existing-home sales – including single-family, townhomes, condominiums and co-ops – jumped 9.4 percent to a seasonally adjusted annual rate¹ of 5.57 million units in September from a level of 5.09 million in August, and are 9.2 percent higher than the 5.10 million-unit pace in September 2008. Sales activity is at the highest level in over two years, since it hit 5.73 million in July 2007.

Lawrence Yun, NAR chief economist, said favorable conditions matched with a tax credit are boosting home sales. “Much of the momentum is from people

responding to the first-time buyer tax credit, which is freeing many sellers to make a trade and buy another home,” he said. “We are hopeful the tax credit will be extended and possibly expanded to more buyers, at least through the middle of next year, because the rising sales momentum needs to continue for a few additional quarters until we reach a point of a self-sustaining recovery.”

Early information from a large annual consumer study to be released November 13, the 2009 National Association of Realtors® Profile of Home Buyers and Sellers, shows that first-time home buyers accounted for more than 45 percent of home sales during the past year. A separate practitioner survey shows that distressed homes accounted for 29 percent of transactions in September.

NAR President Charles McMillan, a broker with Coldwell Banker Residential Brokerage in Dallas-Fort Worth, said affordability conditions remain historically high. “Potential first-time buyers can take heart in that affordability conditions this year are the highest on record dating back to 1970, but with the first-time buyer tax credit scheduled to expire at the end of next month, people could hold back from entering the market,” he said.

Total housing inventory at the end of September fell 7.5 percent to 3.63 million existing homes available for sale, which represents an 7.8-month supply² at the current sales pace, down from an 9.3-month supply in August. Unsold inventory totals are 15.0 percent below a year ago.

-National Association of Realtors
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NEWS FLASH!

HOMEOWNERS WIN BIG WITH EXTENSION AND EXPANSION OF FEDERAL TAX CREDIT

The federal tax credit for home buyers was signed into law by President Obama Friday, Nov. 6. The tax credit, which was set to expire Nov. 30, has been extended through April 30, 2010 with a 60-day extension if a binding contract is in place prior to deadline. It also was expanded to include existing homeowners who have lived in their primary residences for five consecutive years out of the last eight years.

First-time home buyers still may be eligible for a tax credit of up to \$8,000, while existing homeowners may receive a credit of up to \$6,500. The bill also increases the qualifying income limits from \$75,000 for single tax filers and \$150,000 for joint filers, to \$125,000 and \$225,000, respectively. The purchase price of the home is capped at \$800,000 in both instances.

Under additional provisions in the bill, taxpayers can claim the credit on purchases completed in 2010 on their 2009 income tax returns. The bill maintains the provision that home buyers do not have to repay the credit provided the home remains their primary residence for 36 months after purchase, and waives this requirement for active duty military personnel who move due to a military order.

Nationwide, more than 1.4 million first-time home buyers were given the opportunity to become homeowners as a result of the Federal Tax Credit for First-time Home Buyers. According to C.A.R. research, nearly 40 percent of first-time home buyers surveyed said they would not have purchased a home without the federal tax credit, and approximately 70 percent said the tax credit was "the most important" or a "very important" factor in their decision to buy a home.

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