

Southern Utah

Residential Real Estate Market Report

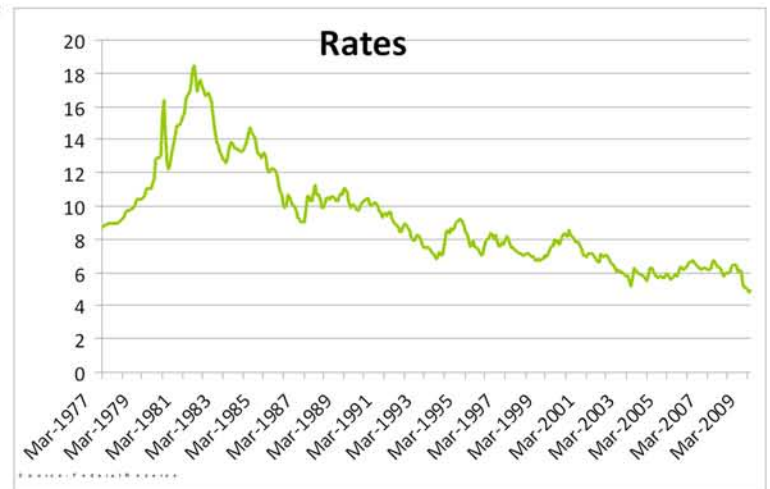
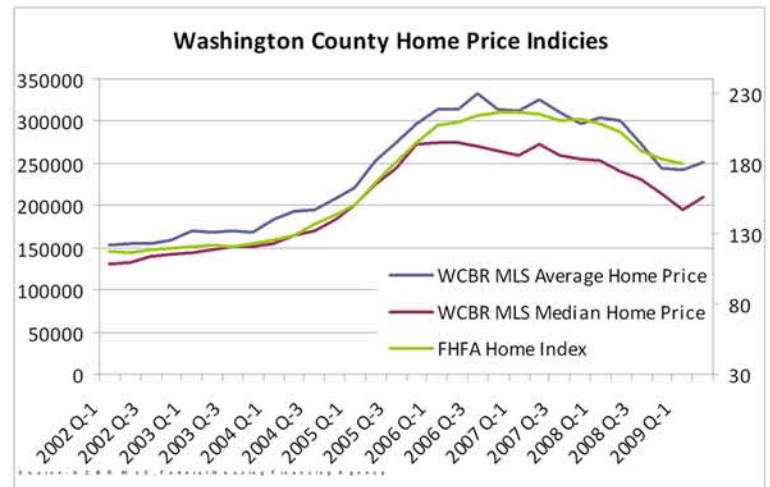
The residential market came alive this spring with buyers scooping up deals on foreclosed properties. Economic indicators from the first two quarters of 2009 suggest the beginning of a recovery. Our market analysis has indicated that housing affordability is better than ever, the recession is at or very near its end, and price trends have normalized. Housing incentives make this market a once in a lifetime buying opportunity for those who were patient and waited out the recent price boom

Pricing Trends and Housing Affordability

Homes are more affordable due to price corrections of more than 30%, historically low interest rates, and aggressive stimulus programs. The inset chart shows the pricing trend for home values. Washington County is back to long run historical trends, which means 2002 pricing in some cases with better interest rates and home buyer incentives.

Current 30 year fixed interest rates are at all time low. The buying power interest rates provide is illustrated in a simple rule of thumb. For every 1% interest rates increase, annual interest payments go up by roughly \$1,500 per year on a \$200,000 mortgage. So, if you are locking in 5.5% interest rates compared with 6.5% interest rates last year, you are paying roughly \$1,500 less per year in interest. Over the life of the mortgage, that comes to \$45,000, or nearly 25% of the purchase price.

On top of aggressive prices and low interest rates, St. George City, Utah State (all used as of last month), and Federal governments all offer incentives for home buyers who purchase homes in 2009. These incentives can effectively double your down payment on some homes at no cost to you. For more information about incentives see <http://erabrokers.com/freemoney>



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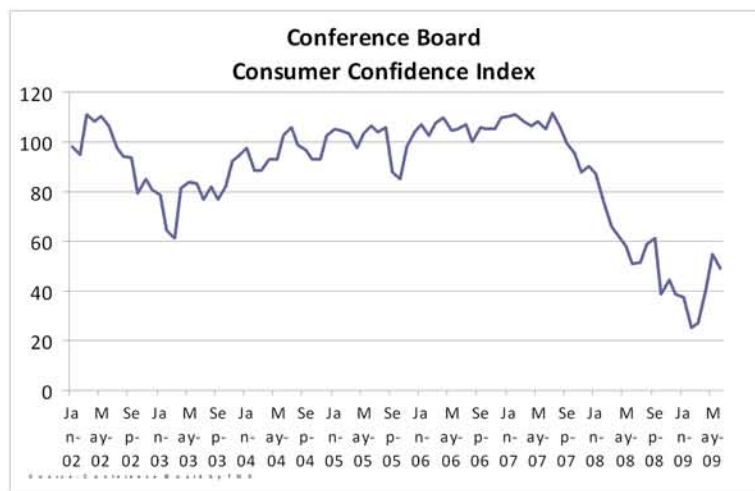


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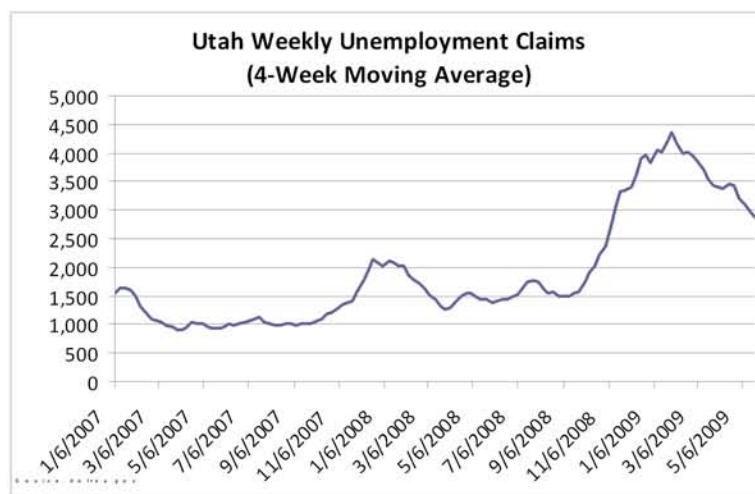
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End of Recession

According to our market analysis, the current recession is nearing an end. An increase in consumer confidence and a decrease in unemployment claims indicate the end of the recession is just around the corner. The Consumer Confidence survey conducted in June of 2009 by the Conference Board reports an increase of nearly 100% since February 2009. The monthly survey is based on the responses from American households and their views on current and future business conditions, employment conditions, and total family income expectation. An increase in consumer confidence indicates economic stabilization which simultaneously enhances the housing market.



Unemployment, a lagging economic indicator, is another signal the recession is coming to an end. Once the threat of unemployment has subsided, housing demand increases and prices stabilize. The current National and Utah unemployment rates are 9.1% and 5.4% respectively. Of this bad news, the silver lining is the fact that initial weekly unemployment claims are down and appear to have peaked. Robert Gordon, Northwestern University economist, has found the unemployment peak to be a reliable signal indicating a recession is within six weeks of its end. Utah appears to have peaked at the end of January while the national peaked in March. Although the recession has not been declared over, we are well passed the six week mark and Mr. Gordon's signal.



Conclusion

Even Jim Cramer on CNBC's Mad Money is calling the bottom to the housing market (<http://www.cnbc.com/id/31388528>). Pricing is aggressive, interest rates are low, government incentives are available on a first-come-first-serve basis, and many don't see the end of the recession. Once the public believes the recession is over, the best opportunities will be history.



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