

Real Estate Outlook:

Housing Positioned For Growth - Realty Times

Kenneth R. Harney

No economist has more information at his or her disposal than Federal Reserve chairman Ben Bernanke, and what he told Congress last week should be encouraging news for anyone interested in real estate: The recession that has gripped the country painfully for 18 months will "end" later this year - moving us into positive economic growth.

In the meantime, housing may be better positioned than other major industries. That's because there appears to be significant interest in the improved \$8,000, non repayable home buyer tax credit plus a historically-favorable combination of low interest rates and rolled-back home prices.

In a new research report, the National Association of Home Builders found that affordability of houses is now at its best level in years. The association's "Housing Opportunity Index" -- which measures the percentage of homes sold in local markets around the country that are affordable to families earning area median incomes -- hit a near-record 62.4 percent in the most recent quarter for which data is available.

By contrast a year earlier, the index was at 47, meaning that less than half of households could afford to buy a median priced home. During the boom years it was even worse.

Although rising unemployment is a sobering counter-trend, the improvement in affordability may be setting the stage for a real estate rebound -- even if monthly ebbs and flows in sales look gloomy in the first quarter of the year.

Mortgage rates continue to hover in the mid-5 percent range for 30-year fixed rate loans. Fifteen year rates are at 4.7 percent.

While average prices of homes continue to decline on a national basis, according to the Federal Housing Finance Agency, dozens of local markets -- most of them ignored by widely-publicized surveys such as Standard & Poor's Case-Shiller Index -- continue to show net positive selling price performance.

According to the agency's latest quarterly survey, local markets in much of Texas registered higher prices year-to-year, along with parts of the Carolinas, the Northeast, and the Gulf states.

For example, houses selling in Austin, Texas, were up 4.4 percent over last year. In Boulder, Colorado, the average gain was 3 percent. In Houston 3.7 percent; Decatur, Alabama 6.6 percent; Kingsport-Bristol Tennessee 6.3 percent; and Syracuse, New York 3 percent.

You don't hear about these positives because these areas were lower profile during the boom, never experienced a bust, and are just not on the New York radar screens.

But they're for real, and their moderate, sensible growth patterns may be where we're headed in real estate this year.

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Kenneth R. Harney writes an award-winning, nationally-syndicated column on housing and real estate from Washington, D.C. He is also managing director of the National Real Estate Development Center, a professional education company. He is a past member of the Federal Reserve Board's Consumer Advisory Council, a committee that by federal statute reviews all Fed actions on home mortgage, consumer credit and banking industry regulation.

He served as a member of the U.S. Department of Housing and Urban Development's Working Group on Computerized Loan Origination (CLO) systems, and is a member of the Editorial Board of the Fannie Mae Foundation's journal, Housing Policy Debate. He is the author of two books on mortgage finance and real estate.

Courtesy of JB Goodwin