

Real Estate Outlook: Bottom in Sight?

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Signs of a cyclical turnaround for housing are on the upswing. Sales are up sharply in many of the hardest-hit markets, and prices are firming in many others.

And now, even some of the country's previously most-bearish economists and media outlets are seeing the light.

Last week, Dr. Mark Zandi, chief economist for Moody's Economy.com, surprised analysts by announcing that "the bottom of the housing downturn is in sight for the nation."

Just days later the Wall Street Journal -- which had been among the most pessimistic of major U.S. dailies -- ran a prominent article with this headline: "For some, it's finally time to dive into the housing market."

The article focused on purchasers in Phoenix, Seattle and Connecticut who recently found that lower prices and affordable mortgage rates made ownership possible for them. They got what appear to be great deals.

The Journal quoted one Phoenix buyer who had just picked up a bargain-priced first home as saying, "six months ago, I didn't think I would ever own a home. Now I do. It's so perfect."

It's obviously good news that doom and gloom economists like Zandi and the Wall Street Journal are picking up on what's happening in local real estate markets. More important for the larger market, though, is that they are in the position to spread the word to consumers that it's now not simply a "good time to buy," it's also a safe time to buy.

Mortgage rates continue to hover near historic lows. According to the Mortgage Bankers Association, thirty year fixed rates last week averaged 5.2 percent, down from 5.3 percent the week before. Fifteen year rates average a flat five percent.

But don't mistake the message here: The economy as a whole still is facing huge problems - unemployment at 7.6 percent, banks taking billions from the government, a stock market that's still pumping out losses, household consumption down.

None of that is positive for real estate.

But here's what may be developing: Just as housing's troubles preceded the rest of the economy on the way down, there are increasing indications that housing could be out ahead on the national economic recovery.

Why? Because pent-up demand is strong, affordable financing is there for buyers with decent credit and a down payment, and improved federal tax credit incentives make the equation even better.

Once more consumers grasp the fact that the worst is over for real estate, we just might see some very encouraging numbers in the months ahead.

Courtesy of JB Goodwin