



Real Estate Outlook: A Bright Market

by Kenneth R. Harney

The stock market may be jumping around and jittery, but housing numbers are headed in just one direction, and at least for the time being, that's better and better.

Pending home sales jumped again. They were up by 3.2 percent for the month of July, according to the National Association of Realtors. That's the sixth straight month of increases. The pending sales index is now at its highest level since June of 2007, and is 12 percent above a year ago.

Pending sales, of course, point ahead to closings scheduled within the coming two to three months. Lawrence Yun, chief economist for the National Association of Realtors, pointed to two key factors that are pushing up market activity - The near record affordability of house purchases caused by moderate prices and low mortgage rates. Plus, the icing on the cake for first time buyers -- the eight thousand dollar federal tax credit.

Meanwhile, evidence continues to mount that prices are turning around in growing numbers of markets around the U.S. Freddie Mac's most recent home price index, released last week, showed national prices up by an average 2.7 percent.

Clear Capital's home price index, which digs into thousands of Zip codes and small neighborhoods, reported even larger gains. Prices were up by 7.3 percent during the period July 27th to August 25th. That may sound exceptionally high, but remember: Clear Capital was the first to detect the earliest hints of rising prices months ago, well ahead of Case-Shiller and others.

Boom-to-bust markets like Phoenix are even seeing higher prices along with huge sales increases. MDA DataQuick reports that sales of houses and condos were up 28 percent in Maricopa and Pinal Counties in July over year-earlier levels. And median prices inched up -- by two percent in July over June - as the percentage of distressed sales among total sales declined to the lowest level since last October.

There was more good news on the mortgage front with average rates on thirty year fixed rate loans declining to just below 5.2 percent last week, according to the Mortgage Bankers association's national survey. Fifteen year rates averaged four point six for the week.

Looking at the larger economic picture, the Mortgage Bankers Association's top forecaster, Orawin Velz, continues to predict that the recession will be over shortly - or already is over. She cited rising consumer expenditures - up two percent in the third quarter compared with a minus one percent in the second quarter. Plus manufacturing output is up, and new layoffs declined last week.

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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.