

Real Estate Outlook: Gains Versus Gloom

by Kenneth R. Harney

When even the Case-Shiller index, which ranks as the gloomiest of all the measures of house price movements, starts reporting gains then you know something is stirring out there in real estate.

In its latest monthly survey, Standard & Poor's Case-Shiller index found prices up in a number of key markets: Dallas prices gained 1.7 percent, Denver 1.5 percent and other cities -- Washington DC, Seattle, San Francisco, Atlanta, Boston and Cleveland -- registered smaller increases.

Nationally, the Case-Shiller index came in slightly negative for the month overall, as did the Federal Housing Finance Agency's home purchase price index.

But even the most bearish researchers now agree: Prices are bottoming out, even in some of the hardest-hit areas.

Home sales are also up in many local markets, sometimes dramatically so. Take metropolitan Phoenix. According to the latest MDA DataQuick survey, sales in the Phoenix market grew at their fastest pace in two years during May.

Resales of detached houses were up by 56 percent over year ago levels, and condo sales were up by 30 percent.

Even prices in the Phoenix area, a market still weighed down by a high percentage of distressed sales and foreclosures, gained by 3.5 percent in May over April levels.

That's an important turnaround, but the sobering fact is that even with that gain, prices in Phoenix are still down 38 percent compared with the same period in 2008.

Other important developments this week pointing to improvements in the housing sector:

- Mortgage rates continue to drop, and are now approaching the lows we saw a few months back. According to the Mortgage Bankers Association, average 30 year fixed rates hit 5.3 percent last week--the third straight weekly decline. Fifteen year fixed rates already have pushed below the 5 percent mark - and averaged just 4.8 percent last week.
- Consumer sentiment, as measured by the University of Michigan's survey, was up slightly again, with more consumers indicating confidence in making "big ticket" purchases, which of course include houses.

Now none of this is to suggest that real estate is in great shape and happy days are here again.

That's not the case -- not with hundreds of thousands of workers losing their jobs every month and the national unemployment rate projected to approach 10 percent. And not with lenders continuing to impose tough credit and underwriting standards on all home purchase mortgage applications.

But after so many months of negative news, we think it's important to acknowledge the positive signs popping up on home sales, pricing and interest rates - even if we still have a long way to go to full recovery.

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