

Real Estate Outlook: Market Indicators

by Kenneth R. Harney

Name just about any housing market or economic indicator you can think of, and the odds are good that last week it was much better than the preceding week or month.

Start with resales of existing homes. They were up by 7.2 percent in July over June, according to the National Association of Realtors. That was the fourth consecutive -- and by far the largest -- monthly increase so far this year.

And check out new home sales. They were up by nearly 10 percent in the latest report from the Commerce Department. The gain was the biggest monthly change in sales since February of 2005. It pushed inventories of unsold new houses to their lowest point in 16 years.

Consumer confidence also was sharply higher, according to the Conference Board's widely watched index, up seven points in August over July. Lynn Franco, director of the Conference Board's consumer research center, said "consumers (are) more upbeat in their short-term outlooks for both the economy (as a whole) and the job market."

The latest Case-Shiller home price index even turned positive! Case-Shiller's national composite was up 2.9 percent comparing the first quarter of 2009 with the second quarter. That was the first quarter to quarter price improvement in more than three years, and we all know how spooky and bearish Case-Shiller has been throughout the housing downcycle.

Fully 18 of the 20 major markets tracked by Case-Shiller were positive for the quarter, even though on a year-to-year comparison basis, prices in the second quarter of 2009 were still 15 percent below the second quarter of 2008.

Mortgage applications and interest rates continued to be favorable as well. Total applications jumped by seven and a half percent last week, according to the Mortgage Bankers Association.

Rates remained low and stable: 5.2 percent for 30 year fixed rate loans, and 4.6 percent for 15 year mortgages.

Equally significant, some prominent analysts are saying the recession either officially ended sometime during the month of August, or will do so shortly, maybe in September.

The Mortgage Bankers Association's top forecaster, Orawin Velz, said the national gross domestic product or GDP likely will RISE in the third quarter -- ringing down the curtain on the deepest recession in decades.

Now, does this all mean that happy days are here again and the housing market can only go up as the recession comes to an end? Not with unemployment still above 9 percent and three million foreclosures forecast for the year.

Look for a slow-mending recovery, but one that looks like it will be led by housing.

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