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## **Is this spring or just another rain event? Signs of a spring market are apparent all around**

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Despite the floods, many signs of hope are apparent in many of our residential 1-4 family markets, locally and nationally. The long winter may be drawing to a close. Signs of a spring market are apparent all around.

Developers are out bargain hunting. There is plenty of distressed product out there that is, for the most part, quietly getting disposed of.

Signs of development activity are evident. Residential builders are cautiously considering putting up some housing again.

The National Association of Home Builders' (NAHB) 55+ Single-Family Housing Market Index, showed a six-point increase in the third quarter of 2009.

Like other sectors of the housing market, the multifamily sector showed signs of improvement in 3rd Quarter 2009, according to NAHB in its Multifamily Market Index.

Also from NAHB, "the apartment sector is on a slower trajectory for recovery." However, multifamily builder confidence is up from record lows.

The National Association of Realtors (NAR) note that existing-home sales fell in January but are above year-ago levels.

Much recent housing activity has been impacted by severe weather. But there is cause for some optimism as levels are higher than a year ago.

In Massachusetts, The Massachusetts Association of Realtors (MAR) reported that median prices of single-family homes were up 7.7% compared to February 2009 while condominiums were up 12.8% compared to the same time last year. Home sales have now increased for eight straight months.

On a further positive note, MAR recently announced that for the second month in a row members reported solid improvement in market conditions over February 2009. This is based on the results of the February 2010 Massachusetts Realtors Market Index (RMI). Members also feel that prices are trending in a positive direction.

More generally, the Conference Board Consumer Confidence Index rebounded in March after decreasing in February.

Most observers seem to think that a slow and steady recovery will take place over a period of time. It's unlikely that we will be rushed right back into a boom housing economy any time soon.

Banks have plenty of problems in their portfolios. This is making them edgy about non-residential lending. Some have pulled out of the market. Those that are still in aren't exactly shoveling the money out the door. And it's not for a lack of money to lend; it's the lack of desire to lend.

There is one noteworthy example of a major lender in Massachusetts moving out of commercial lending. There are others out there that have done the same but simply haven't been publicizing it.

Many lenders are pushing their borrowers relentlessly in an effort to move them to other lenders.

This is done to get risky assets off their books.

The regulatory environment is playing a part in this movement. Examiners are scrutinizing commercial loans in excruciating detail, including residential development loans. Underwriting decisions, documentation, workout agreements/accommodations, and appraisals are being subject to extraordinary review. Appraisals and reporting issues continue to be high on the list of "red flag" areas for bank examiners.

There will be some changes in the look and feel of housing as we go forward. For the most part, we should see smaller, more efficient homes and fewer grandiose monuments to vanity and excess. Development is likely to be greener, more compact, smarter, more aware of the effect of access to transportation and services.

Are things getting better? Or are we merely convincing ourselves of that? I think not. Barring any further calamities beyond our control, housing looks as if it has turned the corner. It's still cloudy with intermittent rain but the sun is back there somewhere. Are we headed to blue skies forever again? I hope not. At least, I hope we don't lose our collective heads again when the sky is blue, the sun is warm, and there are no storm clouds to be seen. Now, commercial markets...that's another story that we'll take up another time, soon.

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