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Jonathan Avery - Deja Vu? Market has historically demonstrated amazing resiliency

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"Home sales in MetroWest have slipped and experts worry that low interest rates won't be enough to sustain a housing recovery in the absence of a broad based economic rebound. While the inclement weather certainly had a role in delaying the traditional spring surge in home sales, it doesn't explain away the entire downturn. Home sales in March plummeted 38% compared to one year ago."

Sound familiar? This is quoted from a column by Neil Weinberg in the MetroWest Daily News published April 25th, 1993. In the same article, Carl Case is quoted "On the negative side, there's a long way to go before we see a real economic recovery and until there are real good signs of job growth, it's hard to imagine a real serious recovery."

The comments seem particularly appropriate today although they were made 18 years ago. Clearly, real estate is a cyclical market, however, it is uncanny how often the parallels can be identified. As an example, in their March 29th, press release, Timothy Warren, CEO of the Warren Group, said, "The local housing market has hit a bump in the road, sales dropped sharply in February and we could see that pattern continue through the spring months ahead. Because of the severe winter weather, it kept home shopping to a minimum, the market has been slow to heat up." This release continues to say "Single family home sales in Massachusetts dropped 15.7% last month, marking the lowest number of sales for the month of February since the Warren Group began tracking data in 1987."

It is easy to adopt a "the sky is falling" attitude based upon quotes such as these. However, it is clear that the period following 1993 had some terrific markets and demonstrated a strong rebound from this low spot of the early 1990s.

An increasing optimism may be at hand based upon the recent jobs numbers released earlier this spring. It is nearly unanimous among experts that jobs recovery is our way out of the current market doldrums (as it was in 1993). The temporary boost from the federal tax credit last spring wore off through the fall and winter markets. The tale will be told in terms of short-term recovery by the end of June of this year. Early signs are somewhat optimistic, although prices and sales volume remain flat, as reported by the Warren Group, the picture is not all rosy.

Despite the many economic dark clouds on the horizon, our housing market has historically demonstrated amazing resiliency. There is no reason to doubt that this historic strength will not pull us out of the current market conditions.

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