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Let's get realistic with respect to housing markets

October 18, 2011 - Spotlights

Economic pessimism will get you nowhere. Clearly, there's not much to get excited about in local, regional, national, or international economies. Traveling further creates certain logistical difficulties. However, I don't want to be considered a wild eyed optimist or a boring down the middle type. So, let's try a dose of realism, particularly with respect to housing markets. I looked at some of data sources out there.

Some of you may term the following as hopelessly general and close to useless: you may not be far off the mark. Be aware, however, many analysts, observers, and decision makers rely heavily on this kind of authoritative information and so does the media. The result: public opinion is influenced. Even if you consider the 30,000 foot view as too general to matter, it does matter, it does influence market behavior.

Moreover, generalizing about markets is fun, often at the expense of reality. But with this, there is the risk of developing mindsets that prevent seeing real, subtle, counterintuitive trends. One theory has it that markets don't behave without reason; we just don't understand their reasoning.

Fannie Mae. The September housing survey indicates that 25% of Americans believed home prices would continue to trend down, although not significantly. Less than 20% expected prices to increase. The majority thought prices would not change markedly.

The study noted that September showed deterioration in consumer expectations for home prices, making it the weakest month of the last 18: consumers continued to be "very negative."

Despite this, the report showed that many consumers thought it was a good time to buy a home; a much smaller group thought it was a good time to sell.

National Association of Realtors. Pending home sales "slipped" in August from July with a mixed regional performance (the Northeast slipped due to weather) but are higher than a year ago. Contract signing activity has been in a "narrow range for many months."

National Association of Home Builders. Builder confidence in the market for newly built, single-family homes dipped by a single point to 14 on the National Association of Home Builders/Wells Fargo Housing Market Index (HMI) for September. The index has now held between 13 and 16 for six consecutive months. The press release noted that builders continue to "confront the same challenges...many consumers are unwilling or unable to move forward with a home purchase...while some bright spots are beginning to emerge in about a dozen select metro areas, the broader picture remains fairly bleak due to the weak economy and job market."

Case-Schiller. The press release indicated that with July's data there are signs of "fairly broad improvement in the annual rates of change in home prices." However, given the overall economy's condition and recent large declines in consumer confidence, these "combined statistics" point to a

housing market that is "still bottoming and has not turned around."

Each source allows for positive and negative positions: the data is ambiguous! Looking at these pieces of information, it is clear that adopting extreme positions is not merited. The sky is neither falling nor is it blue forever: the large scale data exists to be interpreted (and misinterpreted). So, gather data diligently, consider it carefully, and then come to reasoned conclusions.

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