nerej CELEBRATING 55 YEARS EST 1963

Housing market recovery: More reasons to be a believer

August 09, 2012 - Appraisal & Consulting

When it comes to the rebound in the housing market, I've been a skeptic, or even naysayer, and certainly late to the party. Statistics have fluctuated over the last two years showing bumps up, then disappointing trends down. Region-by-region throughout the country, areas differed significantly, adding more confusion. Some of the best experts have disagreed completely in reviewing the statistics. It has been difficult to be convinced. All of a sudden, there appears that a real improvement trend taking place, at least in our area. Massachusetts home sales increased in June by the most in over two years. June has also been the fifth straight month of double digit sales increases, according to the Banker & Tradesman data. Sales numbers are up 28% year over year for single-family residences and similarly for condominiums. On a national level, the Harvard Center for Housing has reported in their 2012 study that there are "reasons to believe that 2012 will mark the beginning of a true housing market recovery". While the national picture is more inconsistent, there have been reported price increases of 5.8% higher this year over last year in 53 metropolitan areas. The large real estate company REMAX believes this year will be the strongest selling season since the 2007 decline. The real estate research company Trulia indicates that the market is now 32% higher, off the bottom, this year as opposed to last year of 23%. All that said, prices and the pace of sales are not nearly up to the peak achieved in the 2005/2006 bubble, but most say we're getting closer. The most cited reasons for a finally more consistent trend include: • Improved job markets in the strong metro areas such as Boston. • Affordable in the "up-and-coming areas." • Historically low interest rates over a protracted period of time, as well as other incentives. • Lowered supply due to almost no new construction. • Increases in rental cost, making purchasing more attractive. • Improvements in overall consumer confidence. • Overall market bolstered by investors, second home buyers and first time buyers with credit and mortgage incentives. Despite most getting religion, they are some very well respected analysts indicating that they could still be down-side risk. The Case-Shiller report for example suggest that prices could still dribble downwards over the next several years before a bottom is reached, although that report just reported price increases for July, the fourth consecutive month of increase. The reasons that some believe there is more down trend to go are reasonable: the foreclosure inventory has not been resolved, with six to ten million homeowners with delinquent mortgage notes throughout the country. Banks have been reticent to off load these properties on a wholesale basis, and will let them out over the next several years, creating the so-called "shadow inventory". Other obvious concerns regarding the housing recovery go directly to the job market and consumer confidence. Without more jobs, confidence and spending will deteriorate once again, and the housing recovery will be stymied. Finally, as we all are well aware, we are an international economy, and further deterioration in Europe has the potential for putting the housing recovery on hold. All in all, however, I'm convinced there is more good news than bad, particularly in the areas like the Boston metropolitan area. And any new bad news will have only modest impact when compared to what we've been through. We luckier areas have some job growth, continued low interest rates, universities generating new companies, and a very livable city. With all of that going for us, and an overall national trend on a somewhat positive note, I'm convinced we can see light at the end of the tunnel. Daniel Calano, CRE, is the managing partner and principal of Prospectus, LLC, Cambridge, Mass.