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## Bumps in the road or disturbing trend

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The recently released housing stats are of concern to many observers. Coupled with economic trends appearing in the second and third quarter, some forecasters are concerned that the pace of economic recovery is faltering. The question is - are these simply a few bumps in the road to recovery or a trend that will be a drag on the economy.

One of the statistics recently released is the S&P/Case-Shiller Home Price Index. This data is based on activity through August. The Index, which tracks % change in the prices year over year, has dropped to nearly half what it was a year ago. The increase is still 5% (annually) but the trend is causing concern. The National Index is +5.1% vs. +5.6% in July. Seasonality may have some impact, however, the trend is clearly declining.

Corelogic, another "keeper of statistics," has slightly different trends. They report that prices are +5.6% (year over year) for September - down from +6.4% in August and +6.8% in July. They forecast this to be a continued trend - and will be below 5% by September 2015. Corelogic reports that this may be a demand problem driven by the fact that nearly a third of adults are living with roommates or family - up from 27% in 2006.

Another trend which may be contributing to this apparent slowdown is the lack of real growth in personal income. Combined with very tight underwriting standards at the nation's lenders, these are likely some of the reasons for slipping.

On top of these statistics, the Warren Group reports that foreclosure activity increased for the seventh straight month. Foreclosure petitions rose 68% year over year to 734 statewide. Petitions are the first step in the foreclosure process. Middlesex County saw a rise of 74% and Worcester County a rise of 48%. However, they conclude that the state is not headed into a foreclosure crisis - a conclusion that is somewhat reassuring.

There are some bright spots. S&P reports that housing starts, permits and sales of existing homes continue to trend to the positive. They conclude ..."continued labor market gains, low interest rates and slower increases in home prices should support further improvements in housing."

Clearly, there are mixed signals in the housing data. In my opinion, these trends may in fact, be good. A steady and sustained recovery in the housing market may help to lengthen the cycle and avoid the bubble-bust syndrome. Minor setbacks may be inevitable.

Jonathan Avery, MAI, CRE, is president of Avery Associates, Acton, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540