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Cheer up, it could be worse: Sale index is up!

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The Wall Street Journal recently report that the S&P/Case-Shiller U.S. National Home Price index of real-estate values increased this past quarter over the 1Q 2009, which represents the first quarter to quarter increase in three years. The 20 city index also rose for the three months at the end of June 30. Long suffering Detroit and Las Vegas were the exceptions and continued experiencing declines. In a prior week, the National Association of Realtors (NAR) reported that sales volume of existing homes was up 7.2% in July from June. Pending sales, an important barometer of near term activity, were reported by NAR as having risen for six straight months, a pattern not seen in the history of the index since it began in 2001.

NAR reports the inventory of unsold homes was +-4 million units in July, up over 7% from June, according to the NAR. Recent mortgage rates were at a two-month low of close to 5%, according to Zillow.com.

In Mass., a similar pattern plays out. According to the Mass. Association of Realtors (MAR), pending home sales were also up again in July and single-family home sales were up 12.7% compared to the same time last year. MAR notes this is the first time since December 2008 that home sales have gone up year-over-year. Sales of condominium also increased for the first time since August 2007. Medina single-family home and condo prices were reported to be down but are still at the highest point since August 2008. The number of pending sales in July was up 4% over the same period last year. This represents the second straight month of year-over-year gains. MAR also reports the median home price in the state is up over \$300,000 for the first time since August 2008.

According to the National Association of Home Builders (NAHB)/Wells Fargo Housing Market Index (HMI), builder confidence in the market for newly built single-family homes rose a point in August, bringing the index to its highest level in more than a year. The HMI reached 18 in August, which NAHB notes is its highest point since June 2008. The increase is partly due to the effect of the first time home buyer tax credit.

All in all, these are not bad indicators. They suggest, given the amount of the change and their persistence over a period of time, that residential real estate markets may be at a turning point and the psychology of buyers may be changing finally. Let's examine some more general indicators.

Consumer confidence, according to The Conference Board Consumer Confidence Index, retreated in July, but rebounded in August. The Board's August press release notes that the Index now stands at +-54, up from +-47 in July. Other indexes showed improvement as well.

Consumers' short-term outlook improved. Those expecting improvement in business conditions over the next six months increased to 22.4% from 18.4%. Those anticipating conditions to worsen decreased to 15.8% from 19%.

The labor market outlook also improved. Consumers expecting more jobs in the near future increased to from 15.5% to 18.4%, while those expecting fewer jobs decreased. The ratio of

consumers expecting higher incomes increased slightly by $\hat{A}^{1/2}$ of 1% to 10.6%.

That said, all these signs should be taken with a dose of caution. The economy may be showing it's stumbling out of recession but many of potential roadblocks exist. Economy fragility is a market them and smallest signs of weakness - say in banking or commercial real estate - can precipitate major backsliding.

Even changes to the appraisal process seem to be working to the buyers. Appraised values are coming in far lower than most sellers (and many brokers) are expecting, forcing them to face the new reality of sharply lower prices. With stricter standards, lenders are enforcing underwriting standard keeping buyers from borrowing excessively, thus protecting buyers, markets, and helping to keep prices down and home affordability up. The "value issue" caused NAR to ask Congress and the FHFA to put into place an 18 month moratorium on HVCC rules in order to address the HVCC's "unintended consequences" and to push for ensuring appraisers are selected based on experience and geographic competency and to clarify that appraisers are not banned from communicating with real estate agents.

It could be worse. The market could be as bad as it was last summer and appraisers would be waiting for work. The current regime could be better, but it's an improvement with further possible improvements on the way.

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