

Real Life

ECONOMY

A Housing-driven Recovery



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It's a good bet the economic picture will remain highly uncertain as we head into 2009. Yet there's good reason to believe the housing market has turned the corner. Housing in some of the country's hottest markets during the boom—California, Florida, and Nevada, among others—is once again starting to experience gains in home sales. The reason is increased affordability.

Existing single-family home prices have come down an average 20 percent to 30 percent in these hard-hit markets in the 12 months preceding September 2008. That price moderation has provided a compelling incentive to buy for households who've been sitting on the fence for the last two years.

The federal government has also helped with its long-sought increase in the conforming and FHA loan limits and the enactment of the \$7,500 first-time homebuyer tax credit.

Even if the economy stays in the doldrums, it's

likely that existing-home sales will remain on an upward trajectory. New-home sales will continue to struggle because of the inventory overhang.

During the 2001-2003 downturn, the economy shed some 2 million jobs, yet existing-home sales rose from 5.2 million to 6.2 million units. The fact is, home sales can improve even in a recession if affordability improves. After all, even in a deep recession, I would expect that 93 percent of the workforce will retain their jobs.

To assure that housing continues its return to stable growth, NAR will be aggressively pushing to strengthen federal homebuying incentives.

Home sales have historically been the powerhouse for pushing our economy back into growth mode after a downturn. Given signs that improving affordability conditions are starting to drive home sale gains, the signs are good that home sales will spur the next economic recovery. ■

MARKET PULSE

EHS 5.18 million

EXISTING-HOME SALES

Seasonally adjusted annual rate, which is the actual rate of sales for the month, multiplied by 12 and adjusted for seasonal sales differences.

PHSI 89.2

PENDING HOME SALES INDEX

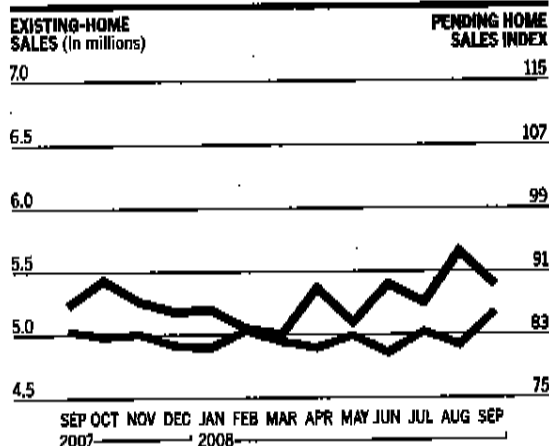
The Pending Home Sales Index measures housing contract activity. An index of 100 is equal to the level of activity during 2001, the benchmark year.

Source: NAR Research

SALES STILL UP

Existing single-family home sales were up in September as buyers took advantage of low prices. The EHS sales pace was 5.18 million units, up 5.5 percent from 4.91 million in August. NAR's forward-looking pending home sales index dipped to 89.2 from 93.5 in August, but was 1.4 percentage points higher than the 87.8 index in September 2007.

HOME SALES



IMPROVEMENT SEEN FOR SPRING

Practitioners' expectations for sales activity over the next six months is up at the prospect of a solid spring shopping season. Confidence in current seller and buyer traffic remains down, but federal efforts to shore up the economy haven't kicked in yet.

Results are based on 1,590 responses to 3,000 surveys sent to large and small real estate offices. The survey asks practitioners to indicate whether conditions are strong (100 points), moderate (50), or weak (0). Responses are averaged to derive results.

BUSINESS CONFIDENCE

