



The Real Story



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When will the real estate market stabilize? One expert thinks it could happen before year-end 2009

Richard Bove, a respected financial analyst with the investment banking firm of Ladenburg Thalmann, believes that the **housing downturn will transform into a slow recovery by year-end 2009.**

He says that **falling home prices**, along with aggressive intervention by the government to hold down mortgage rates, will have a **stabilizing effect on the housing market**, a precondition to the start of any recovery.

Add to that a focused economic-stimulus plan and an encouraging growth trend in the national savings rate—due to lower prices for gasoline, energy, retail goods and automobiles—and you have **the small positive signs** of an accumulating shift in momentum.

More accumulating signs

- 30-year fixed-rate mortgages dropped to 4.89 percent last week, breaking the seemingly unbreakable five-percent barrier for the first time since the Eisenhower administration.
- Not only that, but mortgage applications jumped 500 percent during the last two months of 2008, according to *Realty Times*. In December, the Mortgage Bankers Association Index, a measure of loan-application volume, reached its highest level in more than five years.
- The upcoming economic-stimulus package will likely include a tax credit available for all homebuyers not just first-time buyers. The tax credit is not expected to include a repayment provision.
- Frank Nothaft, vice president and chief economist for Freddie Mac, reported that for the first time in five months, consumer confidence rose in December, with more positive expectations for the upcoming six months.

A few years from now, people will look back on the buying opportunities available in this unprecedented market and wish they had purchased their first, move-up or vacation home while prices were so low. I'd love to help you take advantage of today's opportunities.

Washington Watch

Chief Economist Lawrence Yun of the National Association of REALTORS® said recently that stabilizing the real estate market is an essential step to an overall economic recovery.

So far, the natural forces of supply and demand have guided the correction in the housing market. In 2008, falling prices generated more sales in California and Arizona than in 2007. In fact, sales in the Western states were up 19 percent over 2007 levels.

According to Yun, the next step is a real-estate-focused stimulus package for Main Street, not Wall Street. This time around, Washington needs to create price stability for homeowners, buyers and sellers.

