A Housing-driven Recovery

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 stregthen federal homebuying incentives.

Home sales have historically been the power-house 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.

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Realtor Magazine