

Real Estate Outlook: 2010 Stark Contrast to 2009

by Kenneth R. Harney

Even the grumpiest, grinchiest economist would have to admit that New Year's 2010 looks a whole lot more positive for real estate and housing than things did last year at the same time.

You may remember that dark and scary time. We had just come through the Wall Street financial panic, but it wasn't yet clear what the federal government could - or would - be able to do to prevent a total collapse.

The outlook right now is a complete contrast: Home sales have been rising for months, thanks in part to the federal tax credit programs; new home starts and permits are up in most parts of the country; and prices generally are trending up in most of the markets that got shell-shocked in the bust.

Now new market data from last week point to continued growth just ahead, but with an ominous warning sign as well.

The latest pricing numbers released by the Federal Housing Finance Agency found home values nationwide up modestly in the latest month -- by six tenths of a percent. That sounds really small, but annualized it comes to more than seven percent, which is not bad at all.

And recent sales results from key local markets also are encouraging. For example, in November, every major metropolitan area in Florida saw sales of houses and condos up compared with the year before for the second straight month.

Overall, according to the Florida Association of Realtors, sales of houses were 61 percent higher than November of 2008. Condo sales were up by an amazing 111 percent!!

Plus consumer confidence has been trending upward nationally, by 7.5 percent during December, according to the University of Michigan's bellwether survey.

But now to a sobering subject: Mortgage money is getting more expensive, week after week. At least one big player in the market -- Freddie Mac -- is projecting rates to move from just over five percent today for 30-year loans to 6 percent or higher later in 2010.

Freddie Mac's deputy chief economist, Amy Crews Cutts, says the Federal Reserve's scheduled phase-down of its multi-billion dollar purchases of mortgage backed securities, plus expected moderate growth in the economy, will force rates at least a percentage point higher.

Mark Zandi, chief economist for Moody's Economy.com, agrees. He said last week that six percent for mortgages "sounds about right. I don't think there's any question rates are headed up."

Bottom line here: If you or your clients care about rates, nail down financing sooner, not later. It could cost you if you wait.

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